

Focus on: SSAs & Financials

16 March 2023



Weekly Market Update



Primary market environment: The collapse of SVB Bank and the closure of Signature Bank by US regulators increased risk aversion and concerns about further bank failures made the rounds in the financial markets. Today's ECB rate decision, however, was as expected with a 50 basis point hike.

Primary market barometer

SSAs



The recent market turmoil caused caution, both among issuers and investors. Nevertheless, 3 primary market transactions, 2 of which were taps, were carried out.

Covered Bonds



It is rare that there are no primary market transactions in a week outside the summer and winter break. Currently, however, the volatilities were far too high even in this segment to be able to carry out a serious placement.

Senior Unsecured

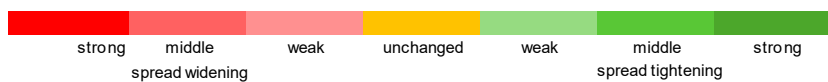


The senior unsecured segment is in particular focus in view of the banking crisis. The primary market came to a complete standstill. Spreads widened, in some cases very significantly. At Credit Suisse, risk premiums widened extremely for well-known reasons.

Risk trend indicator: Traffic lights jump to red - Bunds in strong demand

Relative* ASW spread change

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	-0,12	-0,95	-0,82	-0,35	109	-130
European Union	0,04	0,08	0,07	0,53	2,71	2,81
Germany Covered	0,23	0,09	0,10	0,28	0,96	121
EU Covered	0,08	0,06	0,05	0,15	0,75	0,89
Banks senior preferred	0,35	0,75	0,99	0,71	123	2,04
Banks senior bail-in (SNP)	0,27	0,91	121	0,67	135	2,10
Banks subordinated	0,18	0,68	0,94	0,49	0,99	199
Supranational	0,08	0,10	0,10	0,53	2,40	2,33
Agencies	0,05	-0,30	-0,21	-0,14	1,10	0,06
Sub-Sovereigns Germany	0,09	0,10	0,02	0,04	-0,01	-0,19
Sub-Sovereigns	0,10	0,07	0,11	0,24	107	0,92



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

For some time now, our risk trend indicator has been signalling increasing risks. In the wake of recent market developments, the lights have now turned red.



SSAs

The troubled SVB triggered a series of chain reactions and caused caution among market participants. The increasing risk aversion was impressively demonstrated, for example, by sharp price swings in the Bund Future. On Monday, the future climbed by around two percent, a relatively rare occurrence. On Tuesday, KfW was the only one to venture onto the primary market with a tap of its bond (EUR 1 billion, WNG), which runs until 2025. As this transaction was only accompanied by one bank, we do not know the order book size. In the end, pricing was fixed at MS-41, slightly below the first spread indication. On Wednesday, the state of Lower Saxony followed with a tap of the 2031 bond (EUR 500m, WNG, MS-2) and the state of Brandenburg with a benchmark issue.

Outlook: The EU has sent out RfPs (Request for Proposals) for an issue expected next week. Other issuers, possibly other federal states, could subsequently appear on the market, especially as the issuance window is narrowing in view of the upcoming Fed meeting and the approaching quarterly end.

€ SSAs issues week of 13 March 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
6m€0 Bp	Brandenburg	Aaa /-/-	0,500bn		21.03.2028	not disclosed		14.03.2023	not disclosed	not disclosed
2,500%	KfW	Aaa /AAA/AAA	1,000bn	✓	19.11.2025	ms -41bps		14.03.2023	not disclosed	ms -413 Bp
2,750%	Niedersachsen	- /- /AAA	0,500bn	✓	17.02.2031	ms -2 bps		15.03.2023	0,825bn	ms -2 area

Sources: Bloomberg, Helaba DCM



Covered Bonds

The covered bond segment could not escape the risk aversion that arose in the course of the banking crisis. A sharp decline in market liquidity was the consequence, while spreads were hardly affected at first, but ultimately widened slightly against swaps. Even the recently favoured short-dated bonds showed a marked reluctance to buy. The secondary buying programmes helped to calm the situation moderately. However, it is still to be feared that some pressure will be generated on the part of the market makers: It cannot be ruled out that stocks will be offered "on the street" to improve the books, but that they will not be taken up.

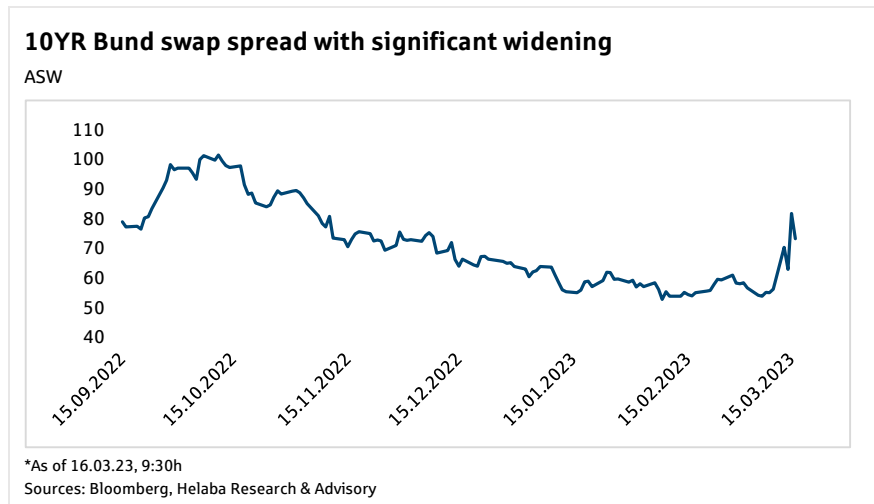
"The shock waves currently running through the market (multisigma moves in short rates, Treasury yields, Bund/swap spreads) are undoubtedly at record levels historically. In view of the alarm signals triggered in the US banking sector, quite a few market participants are asking themselves whether and how the central banks will react to this, especially with regard to the interest rate path/terminal rate. Doubts about certainties believed to be safe are probably in order and, on sober reflection, the big picture will ultimately not change. However, one thing has been clear since the last few days: cash turnover is sharply declining!"

Comment from the Helaba trading floor

Overall, liquidity decreased as measured by the widening bid-offer spreads. In the primary market, market participants did not lean out of the window in the run-up to the ECB interest rate decision and the subsequent statement. In our opinion, little or nothing can be expected to set new price points on this "playing field" at the moment, as there are simply not enough investors to make a new commitment in markets characterised by high volatility. Moreover, the end of the quarter is already within striking distance. Market participants have turned away. For cash valuations, the last few days have seen spread losses of 2-3 bps for core names and 4-6 bps for non-core securities. This development was largely due to some cash selling and poor market liquidity.

Outlook: Primary market activity in the covered bond segment also depends crucially on the framework conditions. As long as volatility remains high, issuers are likely to hold back.

Chart of the week



The risk aversion currently prevailing on the markets is also reflected in the development of the 10-year Bund swap spread. It widened dynamically in a short time from around 54 to a peak of 82. The last time there was an almost comparable increase was in September 2022.

On Tuesday, the 3-month Euribor initially fell by more than 20 bps, the most since September 2001. This revealed a clear decline in bets on further interest rate hikes by the ECB.

€ Covered Bond issues week of 13 March 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
none										

Sources: Bloomberg, Helaba DCM

Senior Unsecured



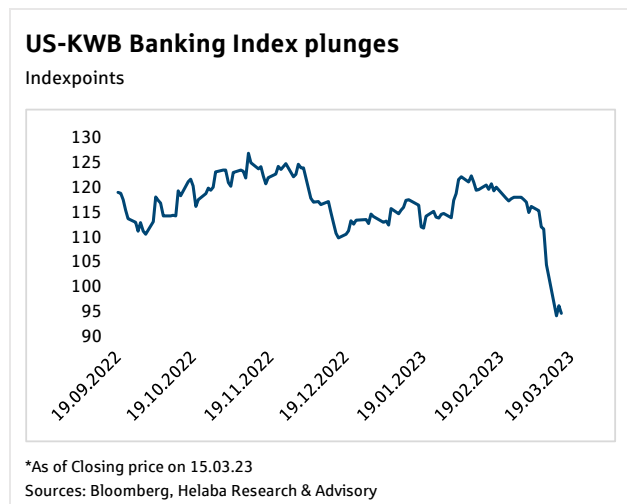
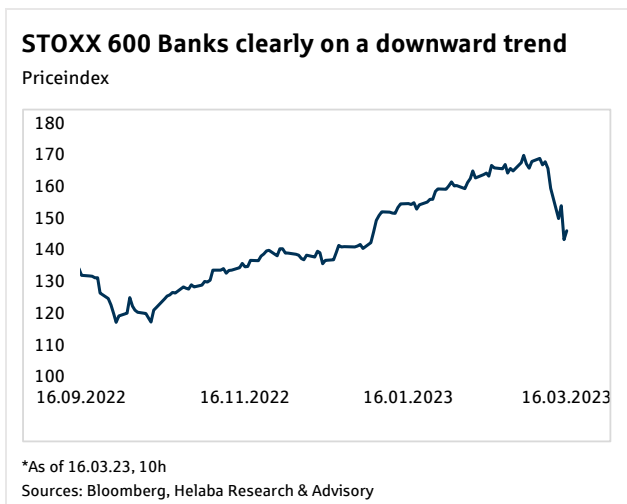
The start of the week was accompanied by further spreads (see also our charts on page 6) in the cash and iTraxx indices. Real money, fast money and ETFs were active across all issuers, jurisdictions and liability tiers on the issuer side. Events surrounding the troubled Silicon Valley Bank - the largest collapse since the 2008 global financial crisis - and the regulatory shutdown of New York-based Signature Bank heightened concerns about further bank failures. Others, such as First Republic Bank, Western Alliance Bancorp, and PacWest Bancorp, were under heavy pressure in the stock market. This shows that the market is already on the lookout for more badly positioned institutions. Last weekend, the US authorities activated **backstops** for banks, which, according to Fed officials, are large enough to protect the deposits of the entire country. **The Bank Term Funding programme** allows banks to monetise their loss-making hold-to-maturity portfolio without realising losses. The programme enables funding at the face value of the pledged securities. Easing of lending through the **discount window** (main direct lending facility) and continued access to financing through the Federal Home Loan Bank also provided some reassurance to the significantly depressed sentiment. Overall, the measures are aimed at avoiding a run on the banks that would increase the risk of a recession.

„Credit spreads have widened very significantly on a weekly basis on a iTraxx indices and the cash market. After a brief tightening trend from the highs during Tuesday and Wednesday morning, widening mode has prevailed again since the escalation around Credit Suisse and volatility should remain high with central bank meetings and further uncertainties in the near future.“ast "

Comment from the Helaba trading floor

Primary market activity in the senior unsecured segment - unsurprisingly - came to a complete standstill this week in light of recent developments.

Outlook: There is no fundamental improvement in sight, especially as Credit Suisse (CS) fuelled worries about possible contagion in the banking sector through "significant deficiencies" in reporting, statements by investor Saudi National Bank and the subsequent slide in share prices. Credit Suisse's senior unsecured spreads widened massively. In the meantime, it became known that Credit Suisse would receive liquidity assistance from the SNB of up to CHF 50 billion, which caused a moderate calming on the markets. On the primary market, we believe that the spreads of new bonds will widen when the situation calms down again and new issue premiums are higher.



€ Senior Preferred issues week of 13 March 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
none										

Sources: Bloomberg, Helaba DCM

€ Senior Non-preferred issues week of 13 March 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
none										

Sources: Bloomberg, Helaba DCM



Short news

03/15 (Bloomberg) ESG ETFs Used by Central Bank of Denmark to Cut CO2 Footprint. Denmark's central bank said it's shifted investments to cut the carbon footprint of its foreign-currency reserves, as it looks for ways to build a climate strategy. In its first-ever emissions disclosure, the central bank said it adjusted its government bond holdings to halve the portfolio's absolute financed emissions in 2022, according to a statement on Wednesday. The bank also shifted some investments into exchange-traded funds that follow benchmarks complying with European Union requirements for Paris-aligned indexes, which it says cut emissions tied to equity and corporate bonds by more than 70%.

3/13 Declining real estate lending business at Pfandbrief banks: In its press release, the vdp reports declining real estate lending business. In 2022 as a whole, the vdp member institutions recorded new business of EUR 158 billion, 11% less than the previous year. The trend was mixed: although it achieved a record volume of EUR 49.0 billion in the first quarter of 2022 (some borrowing having been brought forward due to expectations of higher interest rates) and even grew in the second quarter compared to the prior-year period, loan commitments declined significantly in the second half of the year with double-digit rates. The restraint shown by market players, in particular private borrowers, is a consequence of high inflation. For the current year, the vdp expects loan demand to continue to be restrained.

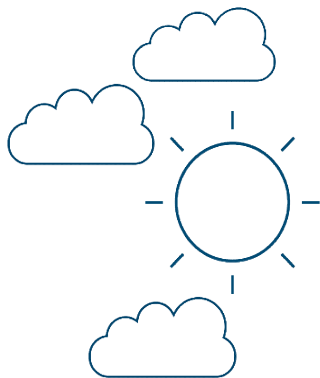
3/13 The European Supervisory Authorities (ESAs), together with the European Central Bank (ECB), today published a **Joint Statement on climate-related disclosure for structured finance products**. The Statement encourages the development of disclosure standards for securitised assets through harmonised climate-related data requirements. Currently, there is a lack of climate-related data on the assets underlying structured finance products. This poses an obstacle for the classification of products and services under the EU Taxonomy Regulation and Sustainable Finance Disclosure Regulation (SFDR) and hinders the proper assessment and management of climate-related risks. The Statement sets out the joint efforts of the ECB and the ESAs to facilitate access to climate-related data with a view to improving sustainability-related transparency in securitisations and to promoting consistent and harmonised requirements for similar instruments.

Marktdaten (aktuell*, ggü. 1Woche, ggü. 4 Wochen)

E-STOXX 600 Banke	143	-14,64%	-12,26%	iBovx€Cov. Germany	6,4	-1,1	-0,3	iTraxx Senior Financial	131,5	46,6	46,9
10J-Rendite	2,12	-0,53	-0,36	iBovx€Cov. Bonds	19,7	-0,5	0,1	iBovx€Supranational	19,2	-0,02	0,67
Swap 10J	2,93	-0,27	-0,09	iBovx€Banks PS	90,6	18,9	25,4	iBovx€Agencies	-3,7	-6,83	-5,18
iBovx€Germany	-62,86	-2,178	-19,98	iBovx Banks NPS	139,5	32,1	42,4	iBovx€Sub-Sov. Germany	10,8	0,50	0,39
iBovx€EU	25,25	-0,21	0,48	iBovx Banks Subordinate	212,3	35,4	49,0	iBovx€Sub-Sovereign	27,2	-0,50	0,87

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

Leisure tip for the weekend: Opel Zoo in Kronberg



The Opel Zoo is located amidst the scenic slopes of the Vordertaunus between Kronberg and Königstein. In a unique way, it presents around 1700 animals from over 200 species mainly from Africa, Asia and Europe. These include the only elephants in Hesse, giraffes, zebras, earth males, red pandas, cheetahs, kangaroos, spectacled penguins and many more.

You can get very close to the animals and some species, such as elephants, can also be fed with carrots. There is also the opportunity for children to take part in pony rides or even camel rides!

Further information:

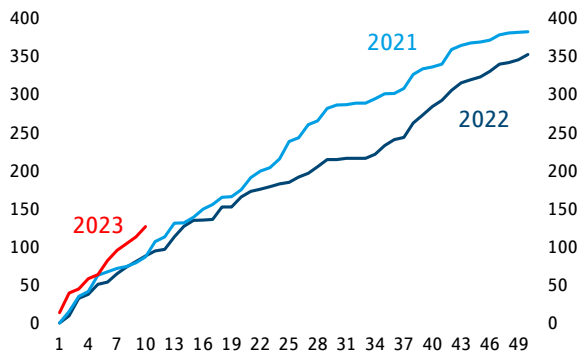
[Opel Zoo](#)

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

Chartbook SSAs, Covered Bonds, Senior Unsecured

SSAs: Primary volumes

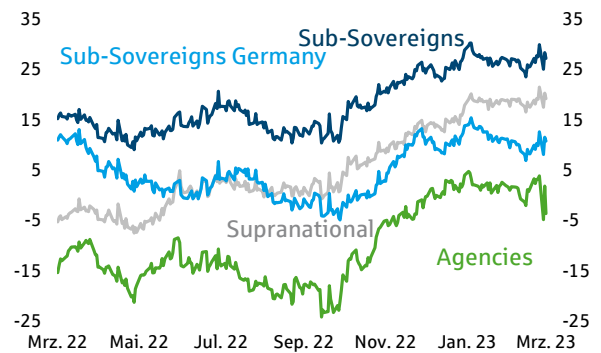
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

SSAs: Spread development

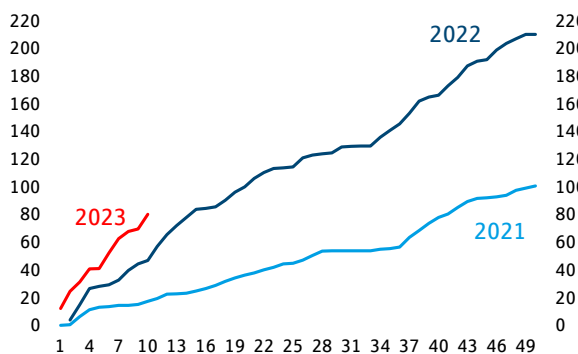
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

Covered Primary volumes

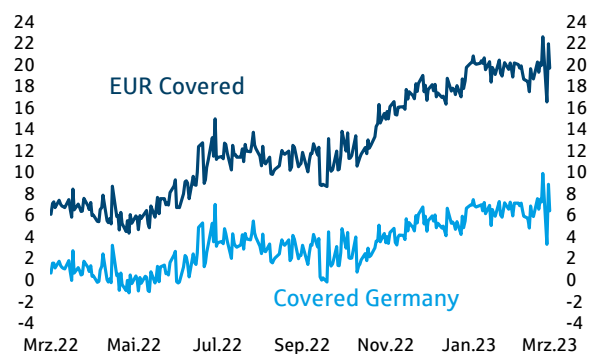
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Covered Bonds: Spread development

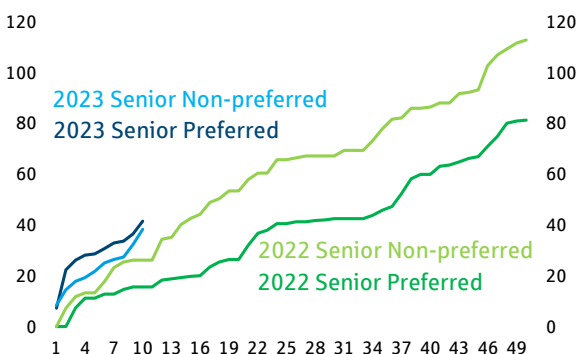
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

Senior Primary volumes

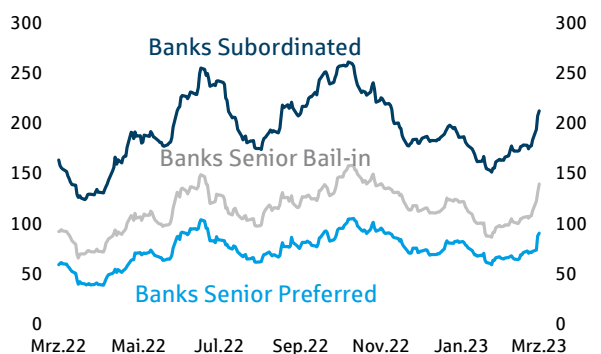
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Senior Unsecured: Spread development

ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory



News from Research & Advisory

- **Focus on Credits: Social and sustainability bonds: ICMA Principles - the freestyle element makes all the difference**
- **European banks: An optimistic outlook for 2023**
- **Focus 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**

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

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/>