IFR ASIA DCM BRIEFING

Follow us @IFRAsia

twitter

ASIA PAC G3 (EX JAP) DCM
BOOKRUNNERS: 1/1/2013 TO 25/7/2013

	Managing bank or group	No. of issues	Total US$(m)	Share (%)
1	Citigroup	68	12,818.3	9.9
2	HSBC Holdings	87	12,635.0	9.8
3	Deutsche Bank	71	11,156.8	8.6
4	JP Morgan	55	9,973.7	7.7
5	BofA Merrill Lynch	54	8,893.9	6.9
	Total	246	129,521.5	

Source: Thomson Reuters (SDC code: AR1)

ASIAN CURRENCIES DCM
BOOKRUNNERS: 1/1/2013 TO 25/7/2013

	Managing bank or group	No. of issues	Total US$(m)	Share (%)
1	Citic	90	18,717.2	6.3
2	Bank of China	61	14,262.3	4.8
3	HSBC Holdings	277	13,493.7	4.6
4	Agricultural Bank of China	51	10,167.5	3.4
5	Standard Chartered	179	9,316.2	3.1
	Total	2,155	296,619.3	

Source: Thomson Reuters (SDC code: AS1)

HONG KONG DCM
BOOKRUNNERS: 1/1/2013 TO 25/7/2013

	Managing bank or group	No. of issues	Total HK$(m)	Share (%)
1	HSBC Holdings	100	26,102.5	59.3
2	Standard Chartered	30	10,439.5	23.7
3	BNP Paribas	10	3,621.5	8.2
4	BofA Merrill Lynch	2	1,000.0	2.3
5	JP Morgan	1	560.0	1.3
	Total	152	44,020.0	

Source: Thomson Reuters (SDC code: AS5a)

Indonesian property developer MODERNLAND REALTY (B2/B/B) joined the queue on Monday as it hit the road to meet investors via Citigroup and UBS. This came as a surprise to most investors in Asia, which did not expect an Indonesian high-yield issuer to attempt its hand at raising dollars so soon after a US$200m five-year bond by Multipolar tanked in secondary trading after having priced on July 18.

"[Modernland's deal] is going to be tricky because the demand for Single B credits has disappeared from the market and the last deal from Indonesia did not do well," said a portfolio manager for a large asset management company in Singapore. Given the difficult environment, investors said that Modernland's deal smacked of desperation.

That may just be it and Modernland will probably be followed by other Indonesian companies in dire need of dollars if its deal is successful, said analysts. One analyst in Jakarta said there was a liquidity squeeze among local banks, and when the currency being sought is dollar the landscape is deserted.

Local market players said companies in need of dollars had been met with closed doors even at their relationship banks. As a result, their only chance is to go abroad and try to raise the money in the bond market.

"This is off month [because of the Islamic holy month of Ramadan] and the demand for dollars increases which puts the rupee under [more] pressure," said one analyst in Jakarta.

The Indonesian currency has already been under pressure for a while as investors pulled out of the country in the wake of higher benchmark rates in the US and as they try to avoid potential volatility because of the presidential election next year. The rupee has already dropped 6.8% this year and is trading at the lowest level since June 2009.

The pull-out of investors has also caused a spike in local benchmark rates. The yield on the five-year local Indonesian government bond has risen almost 270bp this year to 7.45%. Most of the move has happened since mid-May, when investors began to realise that the Fed could soon start withdrawing its record stimulus – the Indonesian five-year benchmark yielded 4.88% on May 14.

The rise in local rates and the investor exit came just ahead of Ramadan, a time when local banks often are hard-pressed for liquidity. Besides being the main source of funding for local companies, financial institutions are also important investors in the bond market.

If the lack of local demand for bonds and supply of dollars were not enough reason to think of foreign investors, the higher benchmark rates should be. Companies rated Single A locally, such as Modernland, already have a hard time finding investors. But when they do, they are forced to pay up.

Therefore, these companies often rely on the bank market. Modernland is the perfect example. The company is in the process of buying the stake of Singapore-based peer Keppel Land in a joint venture between the two companies called Jakarta Garden City.

Analysts said the company needed roughly Rs2.3trn (US$223m) to buy back Keppel's part – hence it is targeting a maximum deal size of US$270m.

If the bond does not happen, Modernland is said to have local loans lined up to pay for the acquisition. However, the cost of borrowing from banks, though, would range from 12%–15%, according to this analyst. Part of the reason for the high price tag on the lending facilities is the lack of liquidity, especially for dollars.

In the dollar bond market the company may be looking at paying a yield of up to 11%, considering the secondary levels of the most recent bond by an Indonesian high-yield company. Multipolar's five-year US$200m bond, which priced two weeks ago at par, was quoted as low as 96.00 last week, or a yield of 10.8% taking into account the 9.75% coupon on the bond.

EDITORIAL ENQUIRIES

Christopher Langner
+65 6417 4552
christopher.langner@thomsonreuters.com

Kit Yin Boey
+65 6417 4549
kityin.boey@thomsonreuters.com

Nethelie Wong
+852 2912 6674
nethelie.wong@thomsonreuters.com

Manju Dalal
+65 6417 4551
manju.dalal@thomsonreuters.com

Jonathan Rogers
+65 6417 4546
jonathan.rogers@thomsonreuters.com

Neha D'Silva
+852 2912 6604
neha.dsilva@thomsonreuters.com

John Weavers
+61 2 9373 1655
john.weavers@thomsonreuters.com

SUBSCRIPTION ENQUIRIES

EMEA
+44 (0)20 7369 7317
rm.emeasales@thomsonreuters.com

ASIA-PACIFIC
+852 3762 3336
rm.apsales@thomsonreuters.com

JAPAN
+813 4589 2311
rm.apsales@thomsonreuters.com

US
+646 223 6123
rm.ussales@thomsonreuters.com

CLIENT SUPPORT

+800 8727 8326
(please dial first your int'l prefix number or int'l access code before the above number)
rm.clientsupport@thomsonreuters.com

Leads *Citigroup* and *UBS* have been telling accounts that Multipolar and Modernland are very different animals. Though Multipolar is rated one notch higher than Modernland, its bonds came from the holding, meaning there was a structural subordination that is not present in Modernland's deal.

Besides, an analyst in Singapore said the turnover for Indonesian real estate companies had been very fast and all of them had met their sales targets recently, showing price increases in the properties too. Still, whether the deal gets done depends on the market's interest.

"The overall HY market is softer. I won't say that the bid is really back. The market is still recovering and a bulk of accounts are not really looking for a new credit. But it depends on the deal. In today's market it looks tough though," said one trader.

Asia G3

Chinese property developer POLY REAL ESTATE came out with price talk on a five-year US dollar bond at 340bp over Treasuries on Monday. The issuer is rated Baa2/BBB+/BBB+ and the issue Baa3/BBB–/BBB+.

The company is aiming to bring the first offshore G3 China deal since June 4, when Huaneng Energy priced a Reg S five-year, and the first from the PRC property space since Central China priced in late May a US$400m five-year Reg S.

Huaneng's US$400m unrated deal came at Treasuries plus 240bp, which looked pretty tight at the time, although the deal was rumoured to have been placed largely with relationship lending banks and many saw it as more like a private placement and not representing a true market reopening.

At the guided Treasuries plus 340bp area the deal offers decent value to the most appropriate comp, China Vanke, which was last bid at a G-spread of plus 275bp, meaning 65bp is up for grabs on a switch basis.

The pick-up on offer seemed to be working in the beginning and within a couple of hours of the deal announcement leads said they had more than US$1bn in the books. However, after lunch markets soured and leads went silent. The deal terms were unchanged by the close of the Asian market in a sign that investors may have become a bit more reluctant about it.

Still, investors said the deal would make it through the finish line. "I think it will get done easily at this price," said one portfolio manager.

Citic Securities International and *HSBC* are the global co-ordinators on the new Poly deal and are joint bookrunners alongside *Credit Suisse*, *Deutsche Bank*, *ICBC International*, *Royal Bank of Scotland* and *UBS*.

Secondary

The FOMC meeting on Wednesday and the release of June US non-farm payroll data are the big events for this week and are keeping in check the risk-on mindset. Asia IG cash bonds ended the day around 5bp–10bp wider, although flow was light and much of the move was simply a markdown. The iTraxx IG index closed out 3bp wider at 141bp/143bp

The prospect of further supply is weighing on spreads, with IG names said to be looking to tap and India's Axis Bank the latest name to be mentioned as sounding investors.

There was reported interest in buying the Vanke 2018s, which the leads were referencing for the Poly trade. The paper was last bid at Treasuries plus 285bp, having printed as tight as 250bp bid over a week ago, with rumours of a new PRC property issue having pulled out sellers. A regional trader said there was real-money buying interest in the Hutch 2022s and the 2023s of the Bank of Communications, versus switching interest out of the PCCW 2022s.

PIPELINE

- **Poly Real Estate Group –** Citic, HSBC, CS, DB, ICBCI, RBS, UBS
- **Modernland Realty –** Citi, UBS
- **Meiya Power –** MS, JPM, CDB, ABC Intl, ICBC (Asia)
- **KoFC –** BNPP, Commerz, CS, HSBC, StanChart
- **Maoye International –** Citi, DB, GS, JPM
- **Kookmin Bank –** BofA Merrill, Barc, BNP, CS, HSBC, Mizuho
- **Pacnet –** DB, GS, StanChart
- **Hilong Holding –** DB, HSBC
- **Lenovo –** CS, GS, BNP, BoCI, HSBC, MUFJ, Mizuho, RBS
- **SK Innovation –** BofA Merrill, BNP, Citi
- **Republic of Korea –** Citi, DB, GS, HSBC, KDB, Woori
- **China Properties –** BofA Merrill
- **Canara Bank –** BofA Merrill, Barclays, BNPP, Citi, CA-CIB, HSBC, JPM
- **Syndicate Bank –** Citi, DB, HSBC, JPM, StanChart