IFR ASIA DCM BRIEFING

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ASIA PAC G3 (EX JAP) DCM
BOOKRUNNERS: 1/1/2013 TO 14/3/2013

	Managing bank or group	No. of issues	Total US$(m)	Share (%)
1	HSBC Holdings	41	5,525.0	10.9
2	BofA Merrill Lynch	24	4,303.1	8.5
3	Citigroup	26	4,227.9	8.3
4	Standard Chartered	27	4,010.5	7.9
5	JP Morgan	26	3,608.4	7.1
	Total	103	50,735.4	

Source: Thomson Reuters (SDC code: AR1)

ASIAN CURRENCIES DCM
BOOKRUNNERS: 1/1/2013 TO 14/3/2013

	Managing bank or group	No. of issues	Total US$(m)	Share (%)
1	HSBC Holdings	100	5,302.2	7.6
2	Citic	11	3,971.1	5.7
3	Standard Chartered	77	3,894.2	5.6
4	Huatai United Securities Co	2	2,653.5	3.8
5	Indl & Comm Bank China	9	2,395.5	3.4
	Total	524	70,020.6	

Source: Thomson Reuters (SDC code: AS1)

HONG KONG DCM
BOOKRUNNERS: 1/1/2013 TO 14/3/2013

	Managing bank or group	No. of issues	Total HK$(m)	Share (%)
1	HSBC Holdings	39	9,638.0	53.7
2	Standard Chartered	16	5,152.5	28.7
3	BNP Paribas	5	1,208.5	6.7
4	Societe Generale	1	333.3	1.9
=4	Indl & Comm Bank China	1	333.3	1.9
=4	Agricultural Bank of China	1	333.3	1.9
	Total	67	17,958.5	

Source: Thomson Reuters (SDC code: AS5a)

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IDBI BANK (Baa3/BBB–) became the second Indian lender in a week to tap the dollar market on Tuesday. Much like its predecessor, Bank of India, which priced a 5.5-year bond last Wednesday, the issuer faced some headwinds. By the close of the Asian market, leads *HSBC* and *Standard Chartered* were yet to give investors an update on the books – this was interpreted as a sign that demand was lukewarm.

Part of the problem was an unexpected headline. On Tuesday, a key member of the governing coalition of India withdrew from the administration adding to the uncertainty about the country's future.

Dravida Munnetra Kazhagam pulled out of India's ruling coalition in protest against the government's position on a UN resolution on war crimes carried out during the Sri Lanka civil war. The exit could hamper the government's efforts to rein in the budget deficit and stave off the threat of a downgrade to the sovereign.

The announcement compounded with the noise generated last week by a local news report accusing Indian private lenders of facilitating money laundering. Besides the headlines-related jitters, investors were expressing much stronger reasons to stay away from the new bonds of IDBI Bank.

One real-money portfolio manager said he expected at least one of the rating agencies to downgrade the sovereign to junk before the end of the year. Additionally, the seeming desperation of lenders from the subcontinent to come to market suggests they also are afraid of a downgrade and that there will be plenty of supply. "I am not surprised they are frontloading their financing," said one portfolio manager in Singapore.

Just last Friday, S&P put out a statement indicating that India's economic growth is less supportive of its rating and that the government may find it challenging to meet revenue projections in its 2013/2014 budget.

The unusual tenor offered by IDBI Bank added to the feeling that Indian banks are trying to lock in the current spreads and yields while they can. The lender started the day marketing a Reg S bond maturing in January 2019 at a price talk of 315bp over US Treasuries. That guidance was later revised to 305bp (+/–5bp).

The choice of an almost six-year tenor is very rare and prompted some questions. One of the motives behind the choice was avoiding a 2018 maturity, since people close to the deal said the bank was not cash-strapped. But to do so, IDBI could have waited until July and issued another 5.5-year, like it did in September.

However, if the bank believes spreads will be wider or that a downgrade will be more imminent in July, coming to market now, even with an odd tenor makes sense.

The weird tenor also has an optical advantage. At the initial 315bp level, IDBI's existing five-year paper made the new deal look attractive. The outstanding bonds, issued six months ago and which mature on March 26 2018, trade at a straight spread of 275bp–280bp over.

However, after accounting for the 20bp curve extension for 10 months, the tight end of the final price talk comes flat to the issuer's curve. In spite of the optical illusion, questions still linger about IDBI's motivations.

The new bond represents savings for IDBI. In September, IDBI priced a US$500m 5.5-year bond at a much higher 370bp over Treasuries.

But tightening the deal any further may be a tall order due to the volatile market backdrop and the troubles the most recent issue from an Indian bank met in the dollar market, especially since investors are starting to sense some desperation.

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Asia G3

The REPUBLIC OF INDONESIA (Baa3/BB+/BBB–) has finalised its documentation is now fully set to issue its Reg S/144a deal after finishing roadshows via *Deutsche Bank*, *JP Morgan* and *Standard Chartered* last week. However, the sovereign is expected to wait for volatility to subside as it is averse to the idea of having to pay a new issue premium.

The same reason may lead the sovereign to skip a 30-year bond, which is heard being met with lukewarm response from investors. As a result, the chatter was that the sovereign was now focusing more closely on a 10-year, or maybe an intermediary point, and that it was planning on cutting down the deal size from US$4bn to US$2bn.

"This makes a lot more sense," said a banker away from the deal. "They should print US$2bn in a shorter tenor and come back later for the rest." While the sovereign is waiting for markets to stabilise, the current levels on the US Treasury are to its liking, suggest people close to the deal. So as soon as leads feel that Indonesia can print flat to its curve it will come to market, which could happen as early as Wednesday, though it is more likely to do so on Thursday or thereafter.

Meanwhile, deals continued to be lined up in Asia. Hong Kong listed TIANNENG POWER INTERNATIONAL (Ba3/BB) a Chinese manufacturer of lead-acid motive batteries, has hired *Deutsche Bank* as sole bookrunner and sole lead manager for a US dollar Reg S/144a transaction. A series of fixed-income investor meetings will be held in Asia, Europe and the US starting on March 20.

FANTASIA HOLDINGS is holding investor update meetings this week via *Citigroup*. Fantasia issued in January a seven-year Reg S via Bank of America Merrill Lynch and Citi that priced at par with a 10.75% coupon. That paper was last down at 99.00 bid for a 10.96% yield. Bankers speculated that the company could seek to tap the US$250m bonds, though, following in the footsteps of Glorious Properties, which last week tapped its US$250m due 2018s for US$150m.

HONGKONG LAND is also meeting investors starting tomorrow with *HSBC* and *Standard Chartered*.

On the IG front, KOREA RESOURCES CORP (A1/A+) has picked *Citigroup*, *Deutsche Bank*, *HSBC*, *Korea Development Bank* and *Standard Chartered* for investor meetings. The issuer will meet investors in Hong Kong on March 20, Singapore on March 21, London on March 22, Boston on March 25 and New York on March 26.

Finally, NYSE-listed TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD (A1/A+) mandated *Goldman Sachs* as sole bookrunner and sole lead manager to arrange a series of fixed-income investor meetings in the US, Asia, and Europe starting on March 18 2013. A debut 144a 3(c)(7) / Reg S dollar senior note offering may follow, subject to market conditions.

Secondary

Asian credits bounced back from Monday's lows, but spreads on Indian lenders widened after a key government ally withdrew support from the coalition.

The iTraxx IG Index tightened to around 101.5bp/105bp over yesterday's closing level of 107bp. Korean banks were among those that benefited the most as they tightened 3bp–5bp. Chinese bank-guaranteed paper like Cosco Finance's 2022s tightened a couple of basis points to 194bp over, while Hainan Airlines' 2020 bonds were at 136bp over.

Underperformers were the bonds of Indian lenders. Traders said Bank of India and HDFC Bank 2018s traded 3bp–5bp wider after the new IDBI Bank deal was announced at 315bp for a five-year 10-month bond. The withdrawal of a key ally from the Indian governing coalition also added to the weakness.

Chinese property names were well bid with prices broadly up a quarter point across the curve.

PIPELINE

- **Hongkong Land** – HSBC, StanChart
- **Korea Resources Corp** – Citi, DB, HSBC, KDB, StanChart
- **Tianneng Power** – DB
- **Fantasia Holdings** – Citi
- **Tower Bersama** – Citi, MS, UBS
- **Alam Sutera** – MS, UBS
- **Bank Rakyat** – Citi, StanChart
- **Star Energy Geothermal** – Barc, DBS
- **Sompo Insurance** – Nomura, JPM, Miz, MS
- **Filinvest** – HSBC, UBS
- **China Minzhong Food** – JPM, DB
- **Republic of Indonesia** – DB, JPM, StanChart