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)

To find out how you can generate league tables and analyse investment banking and deal trends take a look at ThomsonONE.com Investment Banking and SDC Platinum.

Or for custom league tables and deal analysis, please contact TROnDemand@thomsonreuters.com

Australia's lower-rated companies are enjoying an unusually strong following in the country's domestic bond markets. Companies with ratings in the Triple B bracket, the three lowest investment-grade rankings, have issued more seven-year bonds this year, extending repayment schedules beyond the typical five years.

At the same time, previously rare high-yield bonds – from sub-investment-grade or unrated borrowers – have become more frequent.

Both phenomena are the result of an increased appetite for yield among local investors in the face of lower benchmark rates.

On July 22, BBB rated PORT OF BRISBANE became the eighth Australian corporate to issue a local seven-year bond in 2013 with A$1.725bn raised in this maturity so far this year. Four of these corporate issuers have Triple B ratings while two others have split ratings – Triple B and Single A.

This compares with the eight corporate seven-year transactions printed in the whole of 2012 for a total of A$1.825bn. That tally did not include a single Triple B credit.

"We had weighed a number of markets to satisfy our funding requirements, but the local MTN market was the most competitive, and the volume and tenor obtained sits nicely with our bank debt and US private placement notes," said Port of Brisbane CFO Darryl Mutzelburg.

Even high-yield companies are coming to the market now. Unrated G8 EDUCATION is set to issue what will become only the third bond in Australia's public market to be unrated or rated below investment grade.

Bankers said the change in the market is due to a couple of simultaneous factors.

On one side, fixed-income investors are facing very low returns for government bonds and other benchmarks. For most of the first half of 2011 five-year Australian government bonds yielded over 5%. They currently offer less than 3%, although they have increased from their all-time low yields of below 2.5% seen last summer.

Hence, the 5.75% yield that Port of Brisbane offered on its seven-year bond last week, or the 7.35%–7.75% that G8 Education is waving at investors for its six-year offering looks enticing. Few were surprised when Port of Brisbane's deal was doubled to A$300m after attracting A$600m in orders.

Meanwhile, from the company's standpoint, bonds usually involve fewer restrictions than loans and also provide a diversification opportunity.

Furthermore seven-year tenors are rarely available in the loan market to Triple B rated companies.

"Growing investor appetite for seven-year corporate paper … sends a clear missive to corporate Australia that the MTN market has a strong appetite for both quality corporates and tenor," said Brad Scott, head of corporate bond origination at National Australia Bank.

Australia's lower-rated companies can still access bond financing in the far larger US private placement or 144A markets, but execution and swap costs can be prohibitive for small issues.

"The Australian dollar MTN market is proving to be quite compelling at seven years, but historically the offshore markets have dominated issuance in the seven-year plus arena through the US 144A, euro and US Regulation D private placement markets," said Peter Block, director, debt capital markets at ANZ.

Block said that raising funds at home made sense for Australian firms, as they do not have to worry about the increasing cost of cross-currency swap lines. Also, marketing is done locally and through the region and the documentation process is relatively straightforward.

Asia G3

The UNITED MEXICAN STATES (Baa1/BBB/BBB+) achieved tighter pricing on its ¥80.6bn three-part Samurai this week than it did on its two-part Samurai last year. In the process, the sovereign performed a rare feat for a Triple B credit by printing beyond the five-year tenor.

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

The size was almost in line with last year's ¥50bn (US$508.6m) three and five-year trade, but the addition of a six-year tranche this time around at a tighter yield and spread level than last year's five-year piece.

Mexico (Baa1 Moody's/A– JCR) started soft sounding on July 16, prior to Japan's parliamentary elections, which resulted in an increased majority for the Liberal Democratic Party and its New Komeito ally. While this result was widely anticipated, the removal of the electoral uncertainty allowed leads *Daiwa*, *Mizuho* and *Nomura* to push ahead with the marketing process on Mexico's Samurai.

By noon on Monday Tokyo time, the guidance had been refined to plus 80bp, plus 88bp and plus 93bp, where the tranches subsequently printed. The ¥48.6bn 2016s printed at 1.16%, the ¥15bn 2018s at 1.39% and the 17bn 2019s at 1.54%.

Now that the uncertainty is clear and that Mexico has set the precedent, activity in the Samurai market has picked-up.

The CENTRAL BANK OF TUNISIA, for one, is moving ahead and has revised guidance to 100bp over yen swaps area from initial guidance of 90-100bp on a 10-year JBIC-guaranteed Samurai offering. *Daiwa* and *Mitsubishi UFJ Morgan Stanley Securities* are the leads.

Also from the Islamic realm, Malaysia's strategic development company 1MDB has signed a memorandum of understanding with JBIC to further discussion about the possibility of issuing a guaranteed Samurai bond.

The MOU was signed on July 25 during the state visit of Japanese prime minister Shinzo Abe to Malaysia. Issuance under the Guarantee and Acquisition towards Tokyo market Enhancement (GATE) facility would be the first JBIC-guaranteed Samurai issuance from a Malaysian entity. Malaysian issuance has been absent from the Samurai market since 1999 when Petronas issued five and 10-year bonds via Daiwa.

BARCLAYS has applied to register with the Ministry of Finance a shelf of up to ¥300bn Samurai bonds and ¥1trn of Uridashi paper. Such filings typically result in issuance fairly soon afterwards, but the issuance window is open for up to two years following registration.

The UK bank could aim to duplicate the success of JP Morgan Chase's three-tranche Samurai foray from early June, which came in at a mammoth ¥105.6bn and included a 10-year as well as three and five-year tranches. The US bank managed to print inside its implied dollar curve at 10 years, something which Barclays, which is rated A3/A–/A or one notch lower than JPM, could well attempt to emulate.

The United Mexican States has priced a ¥48.9bn three-tranche Samurai via Daiwa, Mizuho and Nomura.

On the dollar front, two Indian firms are meeting investors this week in what is being described as non-deal roadshows.

IDFC is meeting investors through *Standard Chartered* and L&T FINANCE is meeting investors through *Standard Chartered* and *RBS*. Indian lender AXIS BANK was also heard holding non-deal related investor meetings recently.

Secondary

Asian credit spreads widened on Tuesday as investors turned risk averse ahead of the US non-farm payrolls data and the Fed meeting later in the week.

However, the new five-year bonds from Poly Real Estate managed to stay around reoffer at 336bp/333bp over once private bank buying kicked in. Before that, the bonds were quoted as wide as 345bp in the morning.

In addition to the Fed meeting and US payroll data, traders will also look to the US government's first estimate of second-quarter GDP growth on Wednesday for cues on the Fed's QE tapering strategy.

The iTraxx IG index closed at 142bp mid, 3bp wider in the day. Indian names traded softer too. The new Indian Oil Corp 2023s ended at 327bp/ 323bp after they were sold at 322bp last week.

Korea Gas's 2018s continued to trade strong and were quoted at 150bp/ 147bp after pricing at 168bp last week.

Traders also saw short-covering in China Vanke 2018s, which recovered to 285bp after widening to 290bp on Monday.

High-yield Chinese property bonds closed down 25–50 cent in price terms. Country Garden and Shimao 2018s finished down 25 cent at 111.25–112.25 and 110.75–111.75, respectively. Central China Real Estate's and Kaisa's 2018s wrapped the day down 50ct to 92.50–94.00 and 95.00–96.50, respectively.