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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Indian banks are renowned for good timing and for squeezing every basis point out of a deal. So it was no surprise to market participants that BANK OF INDIA (Baa3/BBB–/BBB–) took its time to announce a 5.5-year Reg S/144a bond. The issuer had met investors with leads Barclays, Bank of America Merrill Lynch, Citigroup, Deutsche Bank, HSBC and JP Morgan in early February. The roadshow finished on February 22, but Bank of India did not announce a deal until Thursday.

The lender was clearly waiting for spreads to tighten, which indeed happened. The 2017s of bellwether State Bank of India, for instance, saw their premium over the five-year US Treasuries drop from 242bp by February 22 to 219bp on Wednesday. The tightening was partly a result of a spike in Treasury yields, which means that even at a lower spread, Bank of India would pay a higher yield. However, Indian lenders tend to swap their bonds to Libor, so even at a higher yield, the tighter spread is compelling.

From that perspective, Bank of India had timed its deal perfectly. The spread on Indian lenders had reached its tightest level in over a year early in the week. Secondary demand for the sector also remained healthy.

However, an unexpected damning report by a local media outlet came out at the same time as Bank of India's news and suddenly what was supposed to have been perfect timing turned out to be the worst possible timing. By the close of the Asian session, books on Bank of India's bond had a meagre US$1.25bn in orders logged.

The weak demand came at the same time as bonds of Indian lenders sold off in the secondary market, having finished 5bp–7bp wider on average. The sudden aversion to financial institutions from the subcontinent was motivated by a report by Cobrapost, which featured videos that the outlet claimed furnished proof of alleged wide-ranging money laundering schemes involving India's largest private banks.

Investors were skeptical about the sources and the report itself. "I am not sure about it," said one hedge fund manager. Accused banks quickly responded that they were opening internal probes.

Yet, the headline was enough to put investors on the defensive about the sector. Some expressed fears that Indian authorities may start probing private lenders, generating a string of headlines that may increase the volatility of their securities.

The fears, added to the secondary sell-off meant the issuer was unable to tighten guidance on the deal from the 285bp over US Treasuries at which it started marketing. By the London open, final guidance came out as 280bp–285bp over. Considering how price-sensitive Indian issuers usually are, the lender was probably expecting to tighten its bond.

The initial guidance represented a 272bp G-spread. Meanwhile, the G-spread on State Bank of India's 2017s was around 235bp on Wednesday, so Bank of India was offering 37bp in new issue premium. Bank of India's own 2021s were trading at 242bp over the 10-year US Treasuries.

Hence, the concession is unusually high for an Indian lender, especially since the bonds feature a change of control covenant if government ownership drops below 50% – it is currently 62.72%, in line with State Bank of India's 63.14%.

The assumption among analysts was that Bank of India had hoped to tighten pricing by some 20bp after books built up strongly. That, however, failed to happen. And given the negative price action in the markets, it might have been wise of Bank of India to postpone its deal. After waiting so long to pull the trigger, it should not be hard to wait a bit longer. Investors certainly will not mind.

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Local Markets

Offshore renminbi investors sent a clear message that they are ready to absorb more high-yield paper. On Thursday, Chinese property developer GEMDALE ASIA HOLDING (Ba1/BB+) saw very strong demand for its five-year offshore renminbi bond. Books were more than five times subscribed on the Rmb1.5bn (US$241m) deal, allowing the company to revise guidance to the 5.75% area from the 6% area by the Asian close.

Gemdale's new deal is being issued under the same format of a Rmb1.2bn three-year Reg S that priced at 9.15% in the middle of last year. That deal attracted Rmb4.7bn of orders and performed very well in the secondary market, quoted at 4.939%/4.405% on Thursday.

Aside from the high-yield – for Dim Sum standards at least – and the strong performance of the outstanding deal, investors were also keen on the bonds because of their structure. The securities feature offshore subsidiary guarantees and a keepwell deed. *HSBC* and *Standard Chartered Asia* are joint bookrunners for the new deal. The deal is rated Ba3/BB–.

Gemdale's success comes hot on the heels of the good outcome achieve by RUSSIAN STANDARD BANK (Ba3/B+/B+) on Wednesday. The lender more than doubled the total issue size of its 8% due February 14 2015 paper to Rmb1.25bn with a well-received Rmb750m tap.

The tap was priced at 101.25 to yield 7.274%. That was tighter than initial price guidance of 101.00 area originally announced for the tap. Yet, it was still cheap for investors.

The outstanding Rmb500m two-year was quoted at 101.85/102.03 (6.961%/6.861%) in the secondary market before the deal, much tighter than the tap level. On top of that, investors were drawn to a bond that already carries the highest coupon to date from a FIG issuer in the Dim Sum market.

Asia G3

MIZUHO CORPORATE BANK (A/A–) is marketing a dollar-denominated 144a/ Reg S five and 10-year bond offering at initial price thoughts of 105bp area over US Treasuries for the five-year and at 155bp for the 10-year tranche. *Mizuho*, *JP Morgan*, *Goldman Sachs* and *Deutsche Bank* are active bookrunners and *Bank of America Merrill Lynch* is passive.

SOMPO JAPAN INSURANCE is planning a 60-year non-call 10 hybrid for its first subordinated bond in the US dollar market. Sompo has started roadshows and is meeting investors until next Wednesday with leads *Nomura*, *JP Morgan*, *Mizuho* and *Morgan Stanley*.

Moody's and S&P have assigned ratings of A3(hyb) and A–, respectively, to the proposed step-up notes, two notches below the issuer's A1/A+ rating.

While there is no guidance out yet, Mitsui Sumitomo Insurance (A1/A+) has a 7% 60 non-call 10, issued last March, trading around the mid-5% area, while life insurer Nippon Life (Aa3/A+) has a 5% 30 non-call 10 quoted at about 4.75%. Those suggest the potential guidance range from Sompo would be in the mid to high 5% area. The step-up will be 100bp, according to S&P.

Elsewhere, Philippines-based real estate developer FILINVEST mandated UBS and HSBC to arrange fixed-income meetings for a potential US dollar denominated Reg S deal.

Secondary

Noble Group (Baa3/BBB–/BBB–) offered the latest proof that investors are not exactly bullish on investment grade. The company's US$400m new five-year widened 2bp in secondary trading in spite of US$2.5bn in orders in the book. While the deal priced through the issuer's curve, traders said the sell-off was widespread in IG.

The Asia ex-Japan iTraxx Index closed about 2bp wider at 104bp. Generally, investment grade was unchanged to 2bp wider, although one trader said there were only a few scraps crossing the screen.

The high-yield new issues, meanwhile, were doing better. Glorious Properties 2017s ended the day quoted at par, at the reoffer price at which the issuer tapped the bonds. Kaisa's new five-year bond held steady at 101.50, in line with the level at which they closed on Wednesday and still US$1.5 stronger than the reoffer print.

DEALS PRICED THIS WEEK

- **Wheelock –** Unr., US$500m, 5-year, T+225
- **Kaisa Group –** B1/B+, US$550m, 5-year, 8.875%
- **Glorious Property –** Caa1/B-, US$150m tap, 5-year, 13.25%
- **Noble Group –** Baa3/BBB-/BBB-, US$400m, 5-year, T+290
- **Wesfarmers –** A3/A-, US$750m, 5-year, T+100