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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TOWER BERSAMA INFRASTRUCTURE (Ba2/BB) today joined the growing official pipeline of sub-investment grade issues from Indonesia. The company said it had picked *Citigroup*, *Morgan Stanley* and *UBS* as global co-ordinators for a potential Reg S/144a US dollar-denominated senior unsecured issue.

ANZ, *Credit Agricole CIB*, *DBS Bank* and *Mitsubishi UFJ Securities* will be joint bookrunners alongside the global co-ordinators. The deal is expected to be rated Ba3/BB by Moody's and Fitch, respectively.

The company is the fourth sub-investment grade within a week from Indonesia to go on roadshows. Last week, developer ALAM SUTERA (B2/B) hit the road with *Morgan Stanley* and *UBS* to market a Reg S bond and STAR ENERGY GEOTHERMAL (B2/B+) is finishing a roadshow for a liability management and new Reg S 144a bond on Wednesday via *Barclays* and *DBS*.

Even some investment-grade names have been popping up, such as BANK RAKYAT INDONESIA (Baa3/BBB–), which is on the road with *Citigroup* and *Standard Chartered*.

One banker said this was just the beginning. Many more companies are expected to emerge in the coming months. Besides record low yields and strong demand for junk, especially for anything that does not hail from China, Indonesian issuers have reasons of their own to come to the dollar markets as soon as possible.

Bankers expect a spike in the volatility of all assets related to the country starting in the second half as the presidential election in July 2014 approach. "We have been telling clients to go as soon as they can," said one syndicate banker. "The next few months are a golden era for high-yield Indonesian companies."

Besides avoiding higher rates as electoral noise rises, bankers have been telling Indonesian issuers to take advantage of a rare situation by which they are trading at a premium versus similarly-rated credits from elsewhere. According to one banker, Double B Indonesian names trade at lower yields than Hong Kong counterparts.

On top of that, the yields on junk bonds have reached all-time lows in the past two months. In spite of that, demand in the secondary remains strong. If the anecdotal evidence of the advantages of issuing is confirmed by a couple of successful deals, many other Indonesian corporates are expected to soon appear in the market.

Asia G3

The REPUBLIC OF INDONESIA (Baa3/BB+/BBB–) seems to be stuck between a rock and a hard place. The sovereign finished roadshows for a large Reg S/144a two-tranche bond via *Deutsche Bank*, *JP Morgan* and *Standard Chartered* 10 days ago but failed to pull the trigger on the new deal.

The rumour in the market was that the sovereign decided to hold back and wait for Treasury yields to drop from the top of their range where they were trading last week. The yields have duly retreated amid the uncertainty generated by the run on the banks in Cyprus.

The problem now is that volatility has spiked so much that Indonesia's spreads are widening. Indeed, since the sovereign announced its plans to issue and the market caught wind of the potential size of the deal – US$4bn – the yield on Indonesian bonds has not really retreated.

"It is really hard to control the yield once the deal is announced," said a banker away from the deal. Especially with looming supply from state-owned oil company PERTAMINA PERSERO (Baa3/BB+/BBB–), which is on the road via *Barclays*, *Citigroup* and *Royal Bank of Scotland* as well.

To make matters worse, rumour has it that investors are pushing back on Indonesia's plans of issuing a large 30-year tranche. Duration risk is hardly popular these days, so the

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sovereign may have to do only a 10-year this time around. That is, after markets stabilise, otherwise, whatever the tenor, the new issue premium that Indonesia will have to pay will render its recent reluctance not only useless, but also painful.

Elsewhere in the investment-grade space, Singapore lender UNITED OVERSEAS BANK is rumoured to be working on a potential US dollar-denominated issue of subordinated notes. Market chatter is that the notes could be issued via a special purpose vehicle, and will likely be Tier 2.

If a Tier 2 does emerge, this will be the first subordinated issue from an Asian bank this year that complies with Basel III rules, allowing for their loss absorption through a write-off or conversion of the notes into common equity at the point of non-viability. This would be in line with Basel III and Monetary Authority of Singapore regulations for such instruments.

The question hovering over the deal is where the lender set the conversion trigger, given that Singapore regulators are yet to indicate what would make a bond eligible for equity treatment.

UOB is said to be keeping a tight watch on the markets for a window to do a deal. *ANZ*, *HSBC*, *Standard Chartered* and *UOB* are strong candidates to be joint lead managers since they are dealers in the UOB-arranged programme.

S&P had assigned a BBB to new Tier 2, two notches below the A– rating of the bank, to reflect the loss-absorption feature. It also reflects a contingency clause under which UOB has to convert the notes to common equity or write them off if a non-viability trigger is activated.

Moody's said it would assess the latter's ratings after the issuer provided specific terms and conditions. The issue will be drawn from its recently updated Euro MTN programme which was increased last week from S$5bn to S$10bn (US$8bn) .

People & Markets

BANK OF AMERICA MERRILL LYNCH has announced changes to its global corporate and investment banking and debt capital markets operations in Asia.

Devesh Ashra is joining as head of debt syndicate along with *Hital Desai*. Both were previously with Credit Suisse in Hong Kong, where Ashra was head of debt syndicate alongside Desai.

Ashish Malhotra is moving from heading the bank's debt syndicate in Hong Kong to high-grade and high-yield origination for Asia ex-Japan.

Siong Ooi has been appointed head of Asia-Pacific leveraged finance and loans and will be responsible for the origination and syndication of leveraged finance deals in Asia.

Meanwhile, *Ranobir Mukherjee* has been appointed vice-chairman of the bank's Asia DCM operations and will be responsible for originating debt capital market deals in the region.

Secondary

Sentiment in Asian credit markets dived after financial upheaval in Cyprus sent equity futures in Europe and the US tumbling ahead of the opening bell. High-grade Asian bonds pushed out 5bp–10bp, while bid-offer spreads widened in the high-yield segment.

The Cyprus bailout at the weekend with an accompanying possible depositor levy raised fears that it could generate a contagion that would spread to peripheral economies. At the same time, strong Chinese property data led to concerns that the government could again impose tightening measures.

Glorious Property, which reopened its 13.25% due 2018s last week, saw bids for the bonds dip below par to 99.50, although offers were at 100.50. Kaisa remained a popular credit among investors with its new 2018s quoted at 101.25, although they were off the highs of 102.00. The 2023s from bellwether Country Garden were lower with bids at 102.50 from 104.00 last week.

Among the high-grade names, Bank of India, the last Asian issuer in the US dollar markets, saw its newly minted 2018s holding up at 278bp/272bp, although PCCW 2023s were flat at 203bp/198bp.

Vanke 2018s weakened with bids at 205bp over US Treasuries, close to 10bp wider from last Wednesday and nearly 15bp wide to its issue spread of 195bp. Asian credit spreads also gapped out, with the iTraxx IG Index hovering at 107bp, some 6bp wider from last Friday.