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INTERNATIONAL FINANCING REVIEW

JANUARY 13 2018 ISSUE 2216 www.ifre.com

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GROUPE BPCE

Upfront

Don't look back in anger

Remember when, 15 years ago, HBOS issued the first UK covered bond? Suddenly, UK high street lenders were able to tap this long-standing sector for wholesale secured funding, in addition to selling billions of dollars of RMBS.

For another four years lenders enjoyed the best of worlds. In addition to raising funds at home, they could sell RMBS to the US and covered bonds to the Continent, targeting the different investor pockets to fine-tune their financing and capital levels.

We all know what happened next. Not only did RMBS become a bad word in polite (that is, regulatory) circles, but central banks offered ultra-cheap funding in an effort to boost domestic activity.

This has contributed to one of the starker changes to capital market flows in Europe since the financial crisis: the near-disappearance of UK prime RMBS.

Indeed, were it not for jumbo legacy portfolio sales and the rise of the non-bank mortgage originators, 2017 would have been marked down as a complete flop in the UK's structured finance market.

Given all this, no one could blame UK lenders for sticking with covered bonds. Maturities are longer, the depth of European demand deeper and the price cheaper than securitisations.

But – and it's an important but – an over-reliance on any particular form of liquidity is never a good idea (as many found out during the financial crisis).

And while the regulatory arbitrage from the Basel I era may be ancient history, securitisation can still improve the capital efficiency of increasingly encumbered balance sheets. All those covered bonds may be cheap, but the over-collateralisation is a bitch.

And so, potentially, is Brexit. Continental investors are the mainstay of covered bonds, but if the Continent is cut off once more by (regulatory) fog, then securitisation and the US capital market may prove attractive once again.

Certainly, UK bank issuers would be foolish not to keep relationships with RMBS investors current. They never know when they might need them.

Grundsaudaag

Reward for Deutsche Bank investors seems as far off as ever. Its recent trading update contained several blows. It won't be making a 2017 profit; a US$1.5bn one-off hit from US tax changes is on the way; fourth-quarter trading revenues will be down 22%; and cost-cutting has stalled.

It seems like Groundhog Day for all involved. CEO John Cryan may have bought time by building up capital and getting through some daunting legal battles, but finding a winning strategy still seems a distant prospect.

What will be particularly worrying for investors is that the cost-cutting – one area where Cryan had most success – has ground to a halt. A year ago he axed bonuses and, at the same time, sent a message of change. This year, he said it's back to normal as he tries to stop people walking out the door – and taking investment-banking revenues and market share with them.

It's an age-old investment bank problem, but it's being made tougher by strong US banks. The Yanks are driving home their advantage, luring the best talent and taking market share.

That contributed to Deutsche's share of US investment bank fees slumping to 2.7% last year from 3.5% in 2015, putting it not just behind the big five US banks and Credit Suisse and Barclays, but also Royal Bank of Canada.

It's easy to say that Cryan has to pay the price of these difficulties by losing his job (at times it looks like he'd be relieved to be put out of his misery), but it's a lot harder to come up with a viable alternative strategy.

The same issues – and the same constraints – will face whoever is in the job.

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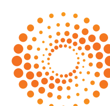

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Listing reform boosts HK pipeline

■ Equities Xiaomi, Tencent units join IPO queue ahead of introduction of dual-class shares

BY FIONA LAU

Hong Kong's decision to allow dual-class share listings is paying off even before the rules are introduced, with a growing number of Chinese technology companies already seriously looking at IPOs in the city.

Last year's spate of successful technology IPOs in Hong Kong has caught the attention of mainland peers, and the exchange's confirmation in December that it would allow dual-class shares from certain sectors has given the city a big boost in its battle with New York for landmark technology listings.

ALIBABA GROUP HOLDING founder and executive chairman Jack Ma said last Monday the group would "seriously consider" listing in Hong Kong. Ma was responding to an overture from Hong Kong Chief Executive Carrie Lam, who said at an event both were attending that she hoped Alibaba would consider returning to Hong Kong to list.

Alibaba.com, a precursor to the current e-commerce giant, was listed in Hong Kong between 2007 and 2012, but the group chose New York for its US$25bn IPO in 2014 after Hong Kong refused to accept its management structure, where a small group of executives control most board appointments.

That setback prompted the city's regulators to rethink their opposition to dual-class structures to avoid losing out on blockbuster listings from new-economy companies and, ultimately, led last month to Hong Kong's biggest listing reform in decades.

"We have been getting calls from Chinese tech issuers lately on the pros and cons of a Hong Kong listing. They are particularly interested in the dual-class structure," said one ECM banker.

"Some have been considering a US listing, while others are keen to try out the new structure. In either case, they are considering a Hong Kong listing as a real option."

After floating the idea in a concept paper last year, Hong Kong Exchanges and Clearing, the city's exchange operator, said in December it would launch a formal consultation on specific rules to allow weighted voting rights in the first quarter of 2018. That puts the introduction of dual-class shares on track for the second half of the year.

POTENTIAL DEALS

Smartphone maker XIAOMI TECHNOLOGY, which last month auditioned banks for an IPO expected to value it at about US$100bn, is eager to be one of the first to use the dual-class structure in Hong Kong, according to people close to the company.

"The company has held preliminary talks with the stock exchange on a possible dual-class share listing," said one of the people.

TENCENT MUSIC, the entertainment and music arm of tech giant Tencent Holdings, is also weighing the option of a Hong Kong listing after initially leaning towards a US IPO, according to people familiar with the situation.

"They are considering Hong Kong with the dual-class option now becoming possible. Looking at the strong response to China Literature's IPO, it makes sense for Tencent Music to think about this option at least," said one of the people.

Last November, Tencent's e-book unit China Literature raised HK$9.6bn (US$1.2bn) from a Hong Kong IPO, with the share price doubling on the first day of trading.

Tencent Music is expected to raise at least US$1bn, but a Tencent spokesperson said the company would not comment on speculation.

Tax reform reprices Tencent curve

■ Emerging Markets Chinese tech giant benefits from expected reduction in US issuance

BY DANIEL STANTON

Chinese internet giant TENCENT HOLDINGS has printed its largest offshore bond to-date, raising US$5bn in four tranches as hot demand from US investors, due in part to the effects of US tax reform, helped it reprice its curve.

The company priced a US$1bn five-year fixed-rate tranche at Treasuries plus 65bp, from initial guidance of 95bp area, and a US$500m floater at Libor plus 60.5bp. A US$2.5bn 10-year fixed-rate note tranche came at Treasuries plus 105bp, from guidance of 130bp area, and a US$1bn 20-year at Treasuries plus 105bp, from 135bp area.

More than half of the bonds went to US investors, with demand arguably stronger due to the passage of tax changes in December that are expected to reduce the supply of bonds from large US technology issuers.

Companies such as Apple have kept large amounts of cash offshore to avoid high US tax rates, and issued bonds to fund dividends and share buybacks. Such practices are expected to be less common now that the US corporate tax rate has been cut and US companies are being encouraged to repatriate offshore cash.

That could create an opportunity for some of Asia's blue-chip issuers to benefit from US investor demand, a reversal from the recent trend for Asian companies to issue mainly under the Reg S format, which excludes onshore US investors.

"We expect less supply from US issuers and some liability management exercises to reduce outstanding debt," said a source close to the Tencent trade. "On the back of the record Reg S supply from Asia, we may start seeing the dynamic change."

Demand was said to be well over US$40bn at one stage. About 200–350 investors placed orders in each of the tranches, with fund managers accounting for more than half of a high-quality order book. Only in the five-year floating tranche was there higher Asian distribution, with regional banks particularly keen on those notes.

Tencent's pricing beat bigger Chinese tech peer Alibaba Group Holding's reoffer spreads for 10-year and 20-year bonds for its trade on November 29, coming 3bp and 13bp through notes priced at Treasuries plus 108bp and 118bp, respectively. In absolute yield terms, however, Tencent paid 13bp–18bp more than Alibaba after Treasuries weakened in recent weeks.

Notably, Alibaba's bond issue came on November 29, before the crucial December 19 House of Representatives vote on tax reforms.

Even after Alibaba's notes tightened later, Tencent's new issue was priced practically flat to those secondary levels, despite Alibaba's marginally higher ratings of A1/A+/A+ versus Tencent's A2/A+/A+.

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Live game-streaming platform DOUYU, also backed by Tencent, is likely to be listed in Hong Kong this year to raise about US$300m–$400m.

"The company has not made a final decision yet on a listing venue, but has started preparing for a Hong Kong IPO, assuming that the dual-class shares rules will take effect in the second half of the year," said a person familiar with the situation.

Douyu declined to comment when contacted by IFR.

Founded in 2013, Douyu, or "Fighting Fish", is one of the leading live game-streaming platforms in China.

In March 2016, Tencent led a US$100m round of investment in Douyu. Douyu also raised Rmb1.5bn (US$231m) in August 2016 in a financing round led by Tencent and Phoenix Capital.

JP Morgan and *Morgan Stanley* are leads on the transaction.

INVESTOR PROTECTION

Dual-class shares, which give one set of shareholders outsized voting rights, are especially popular with the founders of new-economy companies, and have won broad support from investors in other markets. However, Hong Kong is keen to find the right safeguards to prevent companies from abusing the system.

Though the detailed rules are not yet available, the exchange said only innovative companies with a focus on new technologies would be able to use the dual-class structure. Founders and executives would need to show why the structure would be beneficial.

Each weighted-voting-rights share will have no more than 10 times the votes of ordinary shares, and non-WVR shareholders must hold at least 10% of the votes eligible to be cast at a general meeting.

Companies using the dual-share structure need to have an expected minimum market capitalisation of HK$10bn (US$1.28bn). If a company has an expected capitalisation of less than HK$40bn, it would need to have at least HK$1bn of revenues in its most recent audited financial year. Biotech companies, however, can list without a profitability track record. ■

Tencent's new issue tightened by 3bp–5bp on Friday morning, while its secondary curve was also repriced. Its 2025 bonds were bid at Treasuries plus 89bp on Thursday before initial guidance for the new offering was released, and had tightened to 83bp as of Friday morning, according to Tradeweb.

The Chinese technology company was last in the US dollar bond market in February 2015, since when its ratings have improved from A3/A– (Moody's/S&P) and its share price has tripled.

Its previous largest trade was a US$2.5bn dual-tranche offering in 2014, and its longest tenor in a public offering was 10 years in its 2015 deal, though it has US$100m of 2035 bonds that were issued through a private placement.

Tencent is thought to have been granted an offshore bond quota of US$5bn from the National Development and Reform Commission, and the hot demand meant that it was able to use the whole amount in one visit. That also virtually used up its capacity under its US$10bn MTN programme, since it had US$4.64bn of notes outstanding already.

The company has debt of around US$3bn maturing in the first three quarters of 2018, according to CreditSights, and plans to use most of the proceeds to refinance it.

Deutsche Bank, *Bank of America Merrill Lynch* and *HSBC* were joint global coordinators. They were also bookrunners with *Bank of China*, *ANZ*, *BNP Paribas*, *MUFG*, *China Merchants Securities (HK)*, *Credit Suisse*, *Goldman Sachs*, *JP Morgan*, *Mizuho*, *Morgan Stanley* and *Shanghai Pudong Development Bank,* Hong Kong branch. ■

PagSeguro eyes New York with US$1.9bn IPO

■ Equities First in string of LatAm offerings

BY ANTHONY HUGHES

The first LatAm-to-US IPO of the year is a big one with PAGSEGURO DIGITAL's float expected to total US$1.9bn.

The Brazilian digital payments provider on Wednesday launched a US$1.9bn IPO to sell 43.3m shares at US$17.50-$20.50. Controlling shareholder Universo Online is selling 48.8m shares.

Snubbing a local listing, PagSeguro instead plans to debut on the NYSE – a magnet for global technology companies, particularly those from China.

"It always ebbs and flows with LatAm and Asian deals, but there is an element of prestige for a large technology company to list in New York," one banker said.

Given the impressive price gains registered by US and global payments-related stocks that rank among its peers, PagSeguro may prove a relatively safe choice to start the year.

The roadshow launched in New York on Wednesday ahead of stops in Chicago, London and back around the US before pricing on January 23.

Goldman Sachs and *Morgan Stanley* are global coordinators, while *Bank of America Merrill Lynch*, *Bradesco BBI*, *Credit Suisse*, *Deutsche Bank*, *Itau BBA* and *JP Morgan* are bookrunners.

E-COMMERCE

Founded as an online payment platform in 2006 before expanding into point-of-sale payments, PagSeguro is targeting the large, under-penetrated Brazilian payments market.

E-commerce represents a much smaller share of overall retail sales in Brazil than in the US at 3.6% versus 7.8%, based on 2016 data.

Only 32% of the Brazilian population above the age of 15 holds a credit card, versus 60% in the US.

Yet credit and debit card transactions in Brazil grew at a 14% compound annual rate from 2010 to 2016, according to PagSeguro's SEC filing.

Boasting 2.5m active merchants and total payment volume of R$38.5bn (US$12bn) last year, the company is growing fast. Revenues last year grew 120% to about R$2.5bn – and net income 260%-276% to R$460m-R$480 – based on preliminary results released alongside the deal's launch.

At the midpoint of the IPO terms, PagSeguro is being valued at about 21 times 2018 net earnings, one ECM banker said.

This represents a sizeable discount to comps PayPal (34 times), Square (81 times), Wirecard (37 times) and Mercadolibre (113 times).

PagSeguro is following in the footsteps of Despegar.com and Netshoes, two other LatAm names that have gone public on the NYSE in the past year.

Both have struggled.

Netshoes has nearly halved in price since its debut in April 2017, while Despegar is up only 2% since it went public in September.

Ongoing political turmoil in Brazil remains a risk, heightened by general elections later this year.

Another banker said the PagSeguro IPO would set the tone for other LatAm-to-US IPOs expected to launch in the first quarter, among them NYSE-bound Argentine airport operator CORPORACION AMERICA AIRPORTS and Peruvian food company CAMPOSOL. ■

Altice makes U-turn with debt sale

Bonds **Drahi seeks cash to fund spin-off of US operations**

BY DAVIDE SCIGLIUZZO, ANDREW BERLIN

Telecoms giant ALTICE returned to the debt market last week to finance the spin-off of its US unit, making an effort to appease both wary banks and disgruntled shareholders.

The reorganisation is an about-face for the conglomerate, which a few months ago was considering raising US$70bn of debt to finance a bid for US rival Charter Communications.

But disappointing third-quarter results upped the pressure on the group, led by its French-Israeli billionaire founder Patrick Drahi.

After watching years of debt-fuelled acquisitions, investors now want to see Altice focus on organic growth and tackle weaknesses in its key French market.

"Drahi needs to balance everything out right now," said one loan investor. "It's been a near-death experience for him and his empire, so we expect he'll be cutting back on M&A a little."

To address such concerns, Altice announced the spin-off of its Altice USA subsidiary.

As part of the reorganisation, Altice USA will take on more debt through its Cablevision subsidiary to distribute a US$1.5bn dividend to shareholders, including Luxembourg-based parent Altice NV as well as private-equity investors.

It kicked off marketing on Tuesday for a 10-year non-call five junk bond and an eight-year term loan to raise a combined US$1bn. It originally planned to draw the remaining US$500m from an existing revolver at the Cablevision level.

But on Friday, shortly before expected pricing, the company more than doubled the size of the offering, bringing the bond to US$1bn and the loan to US$1.5bn. Additional proceeds will repay existing debt maturing over the next few months and reduce the need to draw the revolver to fund the dividend.

Price talk for the bond was set at a yield of the 5.5% area, the tight end of whispers of 5.5%–5.75%, while the loan was offered at a spread of 250bp–275bp over Libor, according to market sources.

QUICK FIX

While shareholders rejoiced at the reorganisation plan – shares of Altice USA closed up nearly 10% the day after the announcement – the group's lenders also stand to benefit.

Documents seen by IFR show Altice NV will use around two-thirds of its dividend proceeds to pay down debt owed to the same banks arranging the bond and loan offering: *Goldman Sachs*, *JP Morgan*, *BNP Paribas* and *Credit Agricole*.

The remaining funds will capitalise Altice Pay TV, a new division to house sport rights and other premium content.

On an investor call, Altice executives said the debt pre-payment was not required but was a "gesture" towards lenders, two people who listened in told IFR.

"They are trying to pacify the banks in the near term," said one of them. "It is kind of a relationship boost."

The credit facility being paid down is housed under Altice Corporate Financing, an obscure subsidiary that sits under Altice

Deutsche feels squeeze on costs and trading

People & Markets **Pressure builds on CEO Cryan as US rivals smell blood**

BY STEVE SLATER, CHRISTOPHER SPINK

DEUTSCHE BANK's warning that fourth-quarter trading revenues will fall 22% was accompanied by something even more worrying for its investors: costs are no longer falling.

Problems are mounting again at Germany's flagship lender, raising concern that chief executive John Cryan's turnaround attempt has become becalmed some 2-1/2 years into the task.

Deutsche said costs in the fourth quarter would be "elevated", and broadly in line with a year earlier, reversing its previous guidance for a decline. That should see adjusted costs come in at about €6.2bn for the quarter – or €420m higher than the €5.8bn average forecast from 16 analysts before the trading update.

Cutting costs had been one of the few areas where Cryan could claim success. Now, the worry is that that was only achieved by accruing smaller bonuses, a strategy Deutsche has had to abandon as competition – especially from US rivals – bites.

"The key bull point you could take from the results so far for 2017 was the cost performance, because it's generally been good," said Piers Brown, an analyst at Macquarie in London.

"But this will raise fears that a lot of that has just been because they accrued very low bonuses for nine months, and now they are having a major top-up in the fourth quarter."

In the first nine months of 2017 adjusted costs were down 6% from a year before. That decline will reduce for the full year, and it has undermined confidence in the bank's target to get annual costs below €22bn for 2018 and beyond.

Bankers said Deutsche was caught between trying to maintain market share while cutting staff and pay. Cryan slashed bonuses last year, but he told a German newspaper last month he would resume the payment of normal bonuses for 2017.

Strong US banks are squeezing their cash-strapped European rivals on both fronts - they are winning market share, and also look set to pay decent bonuses.

"The competitive landscape has been difficult and it doesn't look like it's getting any easier," Brown said.

That is particularly true in the US: bankers there are far more attracted to the major US firms that are financially stronger and have clearer strategies, according to a New York-based banking recruitment executive.

PRESSURE BUILDS

The US is Cryan's biggest headache. Deutsche slipped to 10th in investment bank fees there last year, behind Royal Bank of Canada, according to Thomson Reuters data. Its market share slumped to 2.7% from 3.5%.

Uncertainty over its US strategy is one reason investors are getting frustrated with the lack of progress by Cryan, a British former UBS investment banker who became Deutsche CEO in July 2015.

Some investors are calling for Deutsche to consider replacing him.

"Cryan earns a lot of credit, but going forward, I feel it is time for a discussion of a change of strategy at the top and that comes with a different management," said Michael Huenseler, head of credit portfolio management at Assenagon, which owns Deutsche Bank shares.

Cryan has stabilised the bank and raised capital, got through some big legal problems, and restructured the corporate and investment bank, including putting former chief financial

NV but is separate from the operating companies.

It pays an interest in the 6%s and has very few amortisations until most of it becomes due in 2021, the executives said on the call, according to the people.

The revolver helping finance the dividend, on the other hand, sits at the Cablevision operating company level and pays a coupon of 325bp over Libor, according to CreditSights.

KING'S RANSOM

According to a company presentation based on third-quarter financials – and before the bond/loan package was upsized – net debt at Altice USA will increase to US$22.7bn, bringing leverage to 5.8 times Ebitda from 5.4 times.

Bonds issued by Altice's US subsidiaries weakened modestly in response to the spin-off announcement.

But many in the market believe the US business will benefit from becoming independent, given that the company has struggled with stiff competition and revenue weakness in France.

"It's almost like a king's ransom," said one US-based bond investor. "You are paying to get free from the parent."

To ease investor concerns, Altice USA also lowered its leverage target to 4.5-5.0 times from 5.0-5.5.

The European and US entities will have separate management teams, with Drahi remaining as the controlling shareholder of both.

In another move to appease shareholders, Altice USA announced a US$2bn share repurchase programme to follow the separation.

Given Drahi's ambitions and love for debt, however, some analysts say the change in strategy may be short-lived.

"Altice has moved the goalposts several times in recent years," CreditSights analysts wrote on Tuesday.

"We would caution against projecting this more conservative stance too far into the future." ■

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officer Marcus Schenck in charge alongside Garth Ritchie, head of global markets.

The bank's shares are down 26% since Cryan took the helm, and are trading at less than half book value.

They have lost 6% since its recent trading warning, when Deutsche said it would take a €1.5bn hit from US tax changes and fourth-quarter revenues for fixed income, currency and equity sales and trading and financing would be down about 22% from a year ago.

Deutsche blamed the fall on "low volatility in financial markets and low levels of client activity".

Although the drop was worse than expected, JP Morgan said its FICC revenues slumped 34% from a year ago, indicating Deutsche may not have underperformed as much. Citigroup and Bank of America Merrill Lynch have said Q4 trading revenues will be down about 15% from a year ago. But the US banks are up against a tough comparative period a year ago, when trading was strong either side of the US election, whereas for Deutsche the year-ago quarter was one of its weakest ever quarters.

Its Q4 trading revenues are now expected to fall to about €950m, or 30% lower than the €1.37bn analysts had expected.

"It looks like a bit of a shocker. The numbers are way off the pace in terms of where consensus was and the indications from other banks," said Brown.

"It's a difficult basis on which to have any confidence they've turned around the market share problem they've had for the last year and a half."

The bad news caps a year of underperformance for Deutsche. Its market share for global investment banking fees fell to 2.7% in 2017 from 3.1% a year before, ranking it 8th, Thomson Reuters data showed.

In debt capital markets, a traditionally strong area for the bank, its share fell to 3.3% from 3.8%. It has lost ground in other strong areas too, such as interest rate swaps, where regional rivals like BBVA, Danske and Lloyds have taken business. ■

Oman lands heavyweight blow

■ **Emerging Markets Fundamentals sidelined for jumbo**

BY ROBERT HOGG

OMAN raised the equivalent of 10% of its GDP in the bond market on Wednesday, financing a hefty chunk of its burgeoning deficit in one swing despite a volatile rates backdrop.

The Gulf sovereign issued a US$6.5bn three-part offering through five, 10 and 30-year tranches. That took its fundraising in the international market over the past 18 months to US$18bn – comparable to some 27% of its GDP.

"This was an enormous trade for a country the size of Oman," said a banker at one of the leads. "They printed in one go almost what they managed [to raise in total] last year, with a modest new issue premium and good follow-on performance."

The deal size was even more remarkable given convulsions in the Treasury market. Ten-year yields jumped from 2.46% at Monday's London open to 2.59% on Wednesday, the highest level since March, in a move initially triggered by news that the Bank of Japan had cut purchases of long-end JGBs.

Leads took the sell-off into account by completing execution within one day, a contrast to the overnight strategy used on other Gulf sovereign trades such as Saudi Arabia. Pricing also referenced spreads rather than yield to insulate against any intraday move in rates.

Oman (Baa2/BB/BBB–) sold a US$1.25bn five-year tranche at Treasuries plus 190bp, a US$2.5bn 10-year at plus 310bp and a US$2.75bn 30-year at plus 395bp. Each tranche was priced 15bp inside initial levels, with combined orders peaking at US$15bn. The lead banker put the new issue concessions at 15bp–20bp.

The tranche sizing was reminiscent of Saudi Arabia's debut US$17.5bn deal in 2016, which turned conventional wisdom on its head with the 30-year tranche the biggest.

The bid for duration on Oman's trade showed that there's a degree of separation between investor appetite for yield in the primary market and events in the secondary market.

Investors were attracted by the steep curve, while another pull factor is that Oman is included in JP Morgan's EMBI Global Diversified index.

But while technicals played to Oman's advantage, some investors still balked at buying paper because of its weak fundamentals.

Oman has ramped up its borrowing in recent years. Fitch forecasts that government debt will hit 55% of GDP by the end of 2019, climbing from just 13% at the end of 2015.

"We didn't participate in the new deal as we view Oman's ratings trajectory as being downward, and it has become a serial issuer, continually posing supply risk," said Theo Holland, an investment manager at Kames Capital.

The breakeven Brent oil price for the hydrocarbon-dependent economy in 2017 was US$83 a barrel, according to Fitch, more than US$10 above the current price. The rating agency expects a budget deficit of 12.8% of GDP in 2017 to narrow only slightly to 10.2% by 2019.

However, some investors said Oman offered a good opportunity.

"We were surprised by the size of the deal, but we know full well Oman's funding needs and this is a favourable window for them to issue," said Bryan Carter, head of emerging market fixed income at BNP Paribas Asset Management.

Citigroup, *HSBC*, *JP Morgan*, *Standard Chartered* and *SMBC Nikko* were the leads. ■

Zoopla bonds stand out from UK crowd

Bonds Property platform operator accelerates debut in rough week for UK high-yield

BY YORUK BAHCELI

A deal for the company that owns online property platform Zoopla – Europe's first high-yield bond issue of the year – showed appetite for convincing UK consumer names despite the turmoil faced by several retailers last week.

ZPG, which operates a number of brands including Zoopla, brought a £200m 5.5-year non-call two senior unsecured debut trade.

The deal, rated Ba3/BB–, came at 3.75%, inside initial talk of 4% area and after the company cut its roadshow a day short. The deal was announced against a backdrop of data showing an unexpected fall in house prices in December and after a sell-off in UK high-yield retailers.

"The business is well diversified and has a multi-channel approach across the property lifecycle. Positioning around those strengths and the growth story that the business has achieved was key to driving demand for the deal," said Tim Spray, head of EMEA syndicate, leveraged and acquisition finance at *HSBC*, which led the trade alongside *Lloyds*.

Some 30% of ZPG's revenues come from marketing operations including Zoopla, but it also operates brands in the software, data, energy, communications and finance sectors.

"You have to look at where it stands in the value chain and take away from some UK property headlines that were primarily focused on overall volumes and understand the value the business derives from the subscription model and the consumer value-add of the comparison business," Spray said.

TROUBLED TIMES

The deal was announced while bonds from New Look and House of Fraser were plummeting, the former on reports that insurers had halted the sale of credit insurance to its suppliers, and the latter on news that it was renegotiating rents. New Look's due 2022 senior secured bonds were down six points at the start of last week, while House of Fraser's due 2020 floater lost over nine points.

Debenhams, meanwhile, lost its Double B Moody's rating after downgrading profit forecasts. Its 2021s dropped just under two points as a consequence.

New Look's bonds dropped further into distressed territory and the threat to the company's supply chain and cashflows raised further troubling questions. The loss of supplier protections has historically had disastrous consequences for retailers.

One investor said that the company's future will depend to a significant degree on how its liquidity position looks when it releases quarterly results on February 6.

The company had £208.4m available in cash and liquidity facilities, £100m of which was an undrawn revolving credit facility,

Chinese developers rush offshore

Emerging Markets Property credits, including high-yield issuers, make flying start to 2018

BY CAROL CHAN, DANIEL STANTON

Seven Chinese property developers last week sold a combined US$3.375bn of US dollar bonds, raising expectations for another year of heavy supply from the sector.

LONGFOR PROPERTIES, rated Baa3/BBB–/BBB, kicked things off on Monday with a US$800m dual-tranche trade that closed well oversubscribed, before COUNTRY GARDEN HOLDINGS, rated BBB– (Fitch), and high-yield names TIMES PROPERTY HOLDINGS, LAI FUNG HOLDINGS and TAHOE GROUP followed the next day. GOLDEN WHEEL TIANDI HOLDINGS and JIAYUAN INTERNATIONAL also launched Single B rated issues on Thursday. (*For details, see the Emerging Markets section.*)

After Double B rated Guangzhou R&F Properties sold a US$100m tap on January 4, the flurry of new issues confirmed investors' support for a sector that has been the biggest source of high-yield Asian debt in recent years.

"Overall, we're still comfortable with China's property sector as many developers' contract sales last year well exceeded targets, while demand for housing remained strong," said Raymond Wong, a portfolio manager at China Merchants Securities Investment Management (HK), who participated in some of the recent property issues.

Most of last week's deals were well received, as many investors looked to put cash to work at the start of the year.

However, the supply glut, combined with expectations of tighter credit conditions in the onshore market, also saw investors turn selective. In the Single B segment, Times Property, a repeat issuer, saw its deal well oversubscribed, while Tahoe Group's debut was far less popular.

"We stay invested, but it also depends on the credit," said Wong. "We're opting to buy bonds with shorter tenors and higher yields, which will provide more cushion against a backdrop of rising global interest rates."

REFINANCING RISKS

With onshore funding remaining tricky, the US dollar bond market is expected to be the main financing venue for Chinese property developers in the near future.

"Tight liquidity and rising corporate bond yields in the onshore market are prompting real estate companies to look for funding in the offshore market, given their high refinancing needs," said a DCM banker at a Chinese investment bank.

In addition to offshore bonds maturing or callable this year, developers also need to wrestle with mounting onshore bonds that will mature or turn puttable in 2018, the banker said.

"The onshore market is still partly closed for them due to tight scrutiny. It is not just how much yield premium they're willing to pay. So, some may need to refinance their maturing onshore bonds in the offshore market," he said.

According to research firm CreditSights, total refinancing needs for developers this year will amount to US$50bn. Of that, about US$7bn and US$23.8bn-equivalent are onshore bonds that will mature and turn puttable, respectively, this year.

The US dollar bond market, meanwhile, remains attractive for those able to access it. Another syndicate banker said that the latest rush to market was due, in part, to approvals from China's National Development and Reform Commission, as some quotas expire at the end of March.

Take Longfor as an example. Its 5% five-year onshore bonds due 2022, issued last July, were bid at 5.78% on Friday, while its 3.875% five-year dollar bonds due 2022, issued in the same month, were bid at 3.96%.

The nationwide developer issued US$800m of US dollar bonds in two tranches last

according to an investor presentation on its results for the 26 weeks ending September 23.

It will need to pay around £76m-equivalent in coupons on its three outstanding bonds in May, according to Thomson Reuters data.

"We have the liquidity and operating facilities to implement our plans – and we have the time to recover," the company told investors in the September presentation, adding that private equity owner Brait remained committed to being a long-term shareholder. It declined on Monday to comment on the latest developments.

However, there could be some room for optimism for both New Look and House of Fraser. News reports that New Look is looking to close around 10% of its stores via a company voluntary arrangement pushed its secured sterling bond close to levels prior to the credit insurance headlines, while House of Fraser recovered much of its losses after a Christmas trading update showed that £10m of £26m annual savings it has identified were secured in 2017.

On Friday afternoon, New Look's sterling secured bonds were bid at around 40 pence on the pound, while its unsecureds were around 14.8. House of Fraser's floater was bid around 80 and Debenhams around 95.8, according to Tradeweb prices.

Despite the questions around retail players, ZPG's deal could provide optimism for UK credits in the pipeline.

"If there are other names looking at the market closely, I think this is definitely an encouraging start to the year and it's hopefully pointing to the liquidity that is available in sterling high-yield," said a second banker on the ZPG deal. ■

Monday. A US$300m 5.25-year priced to yield 3.965% and a US$500m 10-year at 4.526%.

Issuing bonds in the offshore market presents potential foreign-exchange risks, but can give borrowers greater flexibility. Proceeds from offshore bonds can be used to fund land purchases, something which is forbidden in the onshore market.

POPULAR ISSUES

Longfor's offering on Monday attracted US$6bn of orders, or 7.5 times the issue size, while Times Property's issue closed 6.8 times subscribed. The issues from Country Garden, Golden Wheel Tiandi, Lai Fung and Jiayuan were 4.6 times, six times, two times and four times subscribed, respectively.

Tahoe, rated B1 (Moody's), managed to price US$425m of bonds in two tranches on its offshore debut, but this was understood to be much less than the issuance quota it had received. Distribution statistics were not released, but orders were only over US$700m ahead of the release of final price guidance.

Bankers and investors said the lacklustre demand for Tahoe was due largely to its own weak credit fundamentals, rather than reflecting a cautious view towards China's property sector.

Still, they warned that there might be more supply from low-quality developers at generous yields, which was likely to put pressure on the segment.

Research firm Lucror Analytics views Tahoe as "high risk" as the Shenzhen-listed company has a weak financial profile with very high leverage. Moreover, its "opaque parent entity with inadequate disclosure, poor cash collection and questionable access to capital" also raised concerns, it said.

Patrick Mui, head of debt syndicate at Zhongtai International, said investors would generally be more selective in making investments this year, given the stretched valuations of the Asian credit market and the expected heavy supply.

"In the current market environment, a bottom-up analysis of individual credits is more important than top-down analysis," Mui said. ■

China welcomes Japanese Pandas

■ **Emerging Markets** **Banks make onshore renminbi debut**

BY INA ZHOU

China's Panda bond market welcomed its first Japanese issuers last week against the backdrop of improved diplomatic relations between the two countries.

BANK OF TOKYO-MITSUBISHI UFJ (A1/A/A) and MIZUHO BANK (A1/A/A–) launched Rmb1bn (US$154m) and Rmb500m of three-year renminbi-denominated notes, respectively, on Friday in China's interbank bond market.

The two offerings came after Japan's Financial Services Agency and China's Ministry of Finance exchanged letters of cooperation in late December, paving the way for Japanese issuers to tap the onshore bond market for the first time.

The two countries, with a long-running territorial dispute over a cluster of islets plaguing ties, have been seeking to put the past behind them. In November, Japanese Prime Minister Shinzo Abe and Chinese President Xi Jinping hailed a "fresh start" between the two countries at the Asia Pacific Economic Cooperation summit held in Vietnam.

Abe told reporters that he had proposed visiting China at an appropriate time, which would then be followed by Xi's visit to Japan.

PRIVATE PLACEMENTS

Both Panda offerings were done in a private-placement format, in contrast to all the previous financial issues in the Panda market, which took the form of public offerings.

Some said the two Japanese banks could have followed the example of National Bank of Canada and Maybank, and launched public offerings backed by a qualitative summary of the differences between their accounting standards and China GAAP.

While two bankers close to the deals said the private format saved the time and costs associated with explaining the differences in accounting treatment, others said regulators intended the deals to be private placements at a time when the relations between the two countries remain delicate.

The banks both priced the three-year notes at par to yield 5.3%, 50bp over China Development Bank's three-year notes, which were quoted at 4.80% on Friday. CDB is rated A1/A+ (Moody's/S&P).

A senior credit analyst with a foreign bank pointed out that the pricing looked relatively expensive for the issuers.

"They can get much cheaper funding in the offshore US dollar markets," said the analyst. "With the two small-size deals, I think they intended to promote their underwriting business in China rather than for funding."

Still, the yields did not offer much liquidity premium as a private placement for onshore investors. "5.4% or even 5.5% is more reasonable, in my view," the analyst said.

DCM bankers did not expect that the two Japanese financial Pandas would open the door to a flurry of deals from Japanese corporate issuers. "Besides funding costs, navigating the geopolitical relations is complicated for Japanese issuers," said a Beijing-based DCM banker.

BTMU and Mizuho issued renminbi-denominated bonds through their locally incorporated units in 2010 and 2012, respectively, and their China units are relatively active in underwriting Chinese Treasury bonds, policy banks' bonds and auto loan-backed securities.

Bank of China and *Bank of Tokyo-Mitsubishi UFJ (China)* were lead underwriters on BTMU's offering.

ICBC was lead underwriter on Mizuho Bank's offering with *Mizuho Bank (China)*, *Bank of China*, and *Citic Securities* as joint lead underwriters. ■

UK RMBS primed for 2018 rebound

Structured Finance Mothballed vehicles dusted off, as end of cheap Bank of England funding pushes issuers back to securitisation

BY CHRIS MOORE

With the end of cheap government funding, UK banks' need to optimise assets used for funding coupled with new ring-fencing rules will lead to increased RMBS this year, with previously mothballed programmes set to rejoin regular issuers that never went away.

Covered bonds remain the number one choice for funding but the big issuers cannot survive on covereds alone and after several years of decline attention is switching back to RMBS.

In 2017 the market was forced to wait until April before greeting the year's first bank or building society-originated prime RMBS but this year already has seen two deals announced. It points to a substantial increase in primary activity after just £3bn of prime RMBS from banks and building societies printed last year.

BARCLAYS could be one of the banks leading the charge.

"Covered bonds give us the cheapest source of wholesale term funds and the access to the deepest market," said Fiona Chan, head of capital markets execution at Barclays. "[But] with the Term Funding Scheme ending we want to have the option to utilise all three of our secured programmes – covered bonds, RMBS and credit cards – so we can continue to diversify our funding base."

Barclays has not used its Gracechurch mortgage master trust since 2012.

"In recent years the bank has seen strong deposit growth, which means we have less need for secured funding," said Chan, who also pointed to the cheaper funding available via the Bank of England since 2012, first under the Funding for Lending Scheme and then the TFS, as another reason for putting Gracechurch on hold.

Those government schemes provided four-year funding and, unlike RMBS, covered bonds easily offer the duration required to leapfrog a refinancing cliff looming in 2021 and 2022. Barclays issued a £1.25bn five-year covered bond on January 2.

For smaller issuers, that longer duration could be a decisive factor when weighing up which format to issue this year.

"We don't want to issue an RMBS where pre-payments mean it will be amortising at the same time as our TFS funding becomes due for repayment and refinancing," said one bank treasury official, adding that he also wanted to lock in funding from European covered bond investors who "may not be there after Brexit".

> "We don't want to issue an RMBS where pre-payments mean it will be amortising at the same time as our TFS funding becomes due for repayment and refinancing"

But for other issuers Brexit could lead to increased RMBS issuance if eurozone investors cool on UK covered bonds.

"The covered bond market is still there and you can get very good execution but Brexit means there is now a different backdrop, and I wonder if we can be sure of doing as many deals as in the past," said an official from one UK bank issuer.

The introduction of rules requiring the largest UK banks to hive off core retail banking into ring-fenced entities by 2019 provide another incentive for those originators to issue RMBS this year.

Securitisation, along with covered and senior unsecured issuance, allows the new ring-fenced banks to demonstrate they have access to capital markets funding independent of their main banking group.

KEEPING THE FAITH

Those issuers that have kept faith with RMBS in recent years are of course also expected to continue issuing in 2018.

"We have always been committed to having a presence in the RMBS new issuance market each year, even with TFS available, and we continue to be committed," said Martin McKinney, senior manager for medium-term funding at SANTANDER UK.

This is despite cheaper options being available. "You would expect covereds to be

Vene bonds 'should trade minus interest'

Emerging Markets EMTA's decision marks further recognition that Venezuela is in default

BY PAUL KILBY

The Emerging Markets Traders Association last week in effect joined the chorus of voices calling a credit event in VENEZUELA when it recommended that sovereign bonds trade flat – the way defaulted debt is typically priced.

The Venezuela government has vowed to stay current on its debt, but a growing pile of late payments beyond the grace period has many in the market bracing for a messy restructuring.

Ratings agencies and derivatives trade body ISDA have already declared a default on the sovereign bonds.

But it was not until last week that emerging markets industry group – after discussions with market participants – decided to urge investors to buy and sell Venezuela's sovereign debt without accrued interest.

Bonds jumped between two and four points the day after that announcement, with strategists saying the move may ease trading for potential buyers.

"It is a much better bargain for the buyer," said Michael Roche, an emerging market fixed-income analyst at Seaport.

"You are a willing buyer, because you had to pay for accrued before. If there was pent-up demand, you would be waiting for news like this."

EMTA is advising that buyers and sellers not make claims against each other for the repayment of coupons, and this could help bolster trading volumes.

This will reduce counterparty risks, as missed payments are now more likely to be made to the buyer than the seller, according to a report from Bank of America Merrill Lynch.

EMTA notably did not recommend flat-trading bonds issued by state-owned oil company PDVSA. They continue to trade with accrued interest, meaning sellers still have claims on coupons unpaid for any previous interest periods.

"The price should adjust to reflect the new market practice, given that there is some chance that the buyer may receive the 2017 unpaid coupon," BAML wrote.

PRICING POWER

EMTA's move may have generated interest from

cheapest, followed by RMBS, and then Opco senior unsecured," said McKinney. "But at the moment we can issue Opco seniors in dollars, swap back into sterling and we are still cheaper than RMBS."

Veteran structured finance investor Rob Ford, a portfolio manager at TwentyFour Asset Management, was keeping his excitement under control.

"We certainly won't see a tidal wave of deals," he said. "Most will certainly dip their toes back in the water but if anyone does two deals this year I'd be flabbergasted."

PENNY-PINCHING?

Matt Cooke, global head of the securitised products group at Lloyds, said funding decisions would not only be about the cheapest available options.

"You are going to see more strategic financing planning and activity, and I doubt we will see the penny-pinching over a few basis points between funding products and programmes like last year."

Cooke said collateral efficiency and optimisation will also be big themes for UK and European issuers in 2018.

"During 2017 asset encumbrance numbers drifted higher and higher, as central bank drawings accelerated. Issuers are looking at the most effective and efficient ways to work out of the scheme."

Overcollateralisation requirements can be 35% to 40% for some covered bond programmes but RMBS can offer efficiency rates of 90%.

"We are seeing a lot more interest from bank issuers about selling RMBS/ABS deals all the way down the capital structure," said Cooke. "Again it's not just about the cheapest funding in the door, and won't be just the domain of the non-bank issuers."

PRESSURE ON SPREADS

Increased UK prime RMBS in 2018 will put pressure on a sterling market that was not seriously tested last year, but though some bankers expect spreads to soften they say tapping other currencies should limit any downside.

"The sterling market can be fickle," said one ABS syndicate official. "Last year you had sterling spreads at post-crisis tights but I'm not sure how feasible those levels will be if there's a lot of issuance. I can see non-prime issuance taking up some sterling demand as well."

A trader said he would expect no more than 5bp-10bp widening for prime seniors and 15bp-20bp for mezzanine paper.

"We simply don't know how much money is there to anchor spreads," said one investor. "Bank treasuries are natural buyers of senior UK prime so they could hold spreads at a level. We also don't know how much appetite asset managers have to put cash into UK RMBS. There is a lack of direction about how this will play out."

> **"During 2017 asset encumbrance numbers drifted higher and higher, as central bank drawings accelerated. Issuers are looking at the most effective and efficient ways to work out of the scheme"**

Secondary market trading has long been too thin to provide that direction. "I'm not bearish on UK RMBS but I am cautious," said another trader. "We're all waiting to see how the first few deals will price."

BENCHMARKS

The benchmark size of prime RMBS in sterling is seen at £300m to £500m, but including US dollar tranches would allow bigger deals to get done.

On Wednesday CLYDESDALE BANK announced a roadshow in the US as well as the UK for a new Reg S/144A issue off its Lanark shelf.

Chris Parrish, head of treasury at YORKSHIRE BUILDING SOCIETY, said he had been looking at the possibility of multi-currency deals until the TFS was announced.

"We are now looking again at diversifying into other currencies," he said. "I don't think this is a 2018 initiative but we will consider euro and dollar transactions in the future, especially with FLS and TFS repayments down the line."

Last year there was just one prime deal in dollars, VIRGIN MONEY's Gosforth Funding 2017-1.

"I would love to do dollar RMBS," said Santander's McKinney. "But in the US the tag of 'RMBS' currently seems to put you at a certain pricing point which we feel is not reflective of the strength of the credit quality of the underlying pool and sponsor."

One optimistic scenario is that increased engagement with US investors will lead to tighter dollar spreads, encouraging more dollar paper from UK issuers.

But issuance in that currency could also become more attractive if instead sterling spreads widen sharply on oversupply, with the dollar option effectively a ceiling on those sterling levels. ■

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investors who until now have been unwilling to pay for accrued interest imbedded in the price of Venezuelan bonds.

Venezuela's 11.75% 2026s, for example, were quoted on Tuesday morning after EMTA's recommendation at around 22.50-23.50, up from 19.50-20.50 the previous day.

But even at those higher levels, one investor said, the bump failed to compensate for both accrued and past due interest on the 2026s, indicating the market is still pricing in a high probability of default.

"In reality you should have 8.5 points [extra] on the 2026," the investor said.

"People are assigning a bigger chance the coupon that hasn't been paid will be paid in full, but a lower probability that [future] interest will ever be paid."

> **"The price should adjust to reflect the new market practice, given that there is some chance that the buyer may receive the 2017 unpaid coupon"**

Meanwhile S&P downgraded another Venezuela bond, the 2020s, to D from CC after the government failed to make a coupon payment on it within the 30-day grace period.

The rating agency is now assigning a one-in-two chance that Venezuela could default again in the next three months.

LOGICAL STRATEGY?

EMTA's decision not to recommend flat-trading bonds issued by PDVSA reflects the fact that the government appears to have shown a preference for paying the oil company's debt over its sovereign bonds, say some market participants.

This may be a logical strategy, given the relatively higher amount of sovereign debt due over the coming year, not to mention the lack of collective action clauses on the PDVSA debt and the cash-cow status of the oil company.

Venezuela owes about US$11.1bn in external sovereign debt between 2018 and 2019, compared with US$6.6bn for PDVSA, according a report by Torino Capital.

"It is reasonable to expect the government to continue prioritising PDVSA payments," wrote Francisco Rodriguez, Torino's chief economist.

But as payment delays increase, according to another strategist, the chances are rising that EMTA will recommend flat-trading PDVSA bonds as well.

"The roughly six-point price difference between the dirty prices of [PDVSA and Venezuela bonds] reflects investors' hopes that PDVSA sooner or later honours these past-due coupons," the strategist said. "Such hopes could vanish as time passes." ■

Steinhoff races to plug funding gap

Loans **Troubled retailer in talks about €200m liquidity**

BY SANDRINE BRADLEY

South African furniture retailer STEINHOFF is racing to plug a €200m funding gap in the next few days to avoid a small unit such as Austria's Kika-Leiner pulling down the entire group, sources close to the negotiations said.

Steinhoff last month admitted "accounting irregularities" after building a debt-fuelled empire stretching from Poundland in the UK to Mattress Firm in the US. The admission wiped about US$15bn, or 85%, off its market value.

Its two top executives, who turned the group from a modest German furniture distributor into a global household goods giant, have resigned, as has its chairman, and the group is being run by an acting chief executive while its former finance chief works full-time on securing financing.

In talks with creditors, Steinhoff has conceded it has a funding gap of €550m, the sources said, adding that deals that have already been struck or are imminent bring the total down to around €200m.

Talks with banks and other potential creditors about the remaining amount for the group and its subsidiaries are advanced and could be concluded within the next week, the sources said.

"The main goal right now is to avoid any Steinhoff unit running out of cash and potentially pulling down the whole group," one of the people said, adding that the new credit lines would likely only plug financing needs for three months.

Steinhoff was not available for comment.

COMPANY JET FOR SALE

Kika-Leiner, with annual sales of about €800m in Austria and eastern Europe - where founder Bruno Steinhoff sourced his goods in the Communist era - remains the unit with the single largest financing gap, even after selling €50m of property to investor Rene Benko, the sources said.

A group private company jet, which may fetch around €15m, has also been put on the block.

The company is also in the final stages of putting the finances of more subsidiaries on a new footing, after securing fresh money for Poundland and Mattress Firm over the past three weeks, they said.

French unit CONFORAMA is raising €200m in financing with the help of adviser Rothschild, the people said.

"Originally the idea was that a lot more money would be raised at group level, which included raising money for the UK and French subsidiaries," said one restructuring adviser.

"But it is clear that these businesses don't trust the group and wanted to do their own financings with their own advisers."

Other units include Harveys in the UK and Poco in South Africa, Australia and Germany - where the group now has its main listing and where it is also under investigation for suspected accounting fraud.

Once the short-term funding issues have been resolved, Steinhoff will have to decide whether asset disposals and refinancings will suffice or whether it will opt for a full-blown debt restructuring.

Roughly €2bn of Steinhoff's €10.7bn in debt matures this year.

Steinhoff's top nine banks, with an exposure of more than €500m to the retailer, are Bank of America Merrill Lynch, BNP Paribas, Citigroup, Commerzbank, Credit Agricole, JP Morgan, HSBC, Mizuho and UniCredit.

But Steinhoff is also talking to third-party investors such as hedge fund Davidson Kempner - which supplied the Poundland loan - about their interest in supplying fresh money, the sources said.

Restructuring consultant FTI is advising the senior debtholders. ■

Telefonica uses blockchain for Schuldschein

Loans **Telecoms group follows Daimler in using platform**

BY ALASDAIR REILLY

TELEFONICA DEUTSCHLAND has launched a Schuldscheindarlehen for a targeted €200m that includes a "blockchain tranche", the second time the technology has been used in the SSD market.

In June 2017, German car manufacturer Daimler placed a €100m SSD using blockchain. This new deal for Telefonica Deutschland, which helps diversify the borrower's financing structure, is the first time blockchain has been used in combination with a traditional SSD.

"With this transaction, we want to show that the intelligent use of digital technology leads to more efficient processes," said Markus Rolle, chief financial officer of Telefonica Deutschland.

Blockchain works by saving blocks of digital data decentrally on several servers -transactions receive a cryptographic signature which makes them more secure and much harder to manipulate. The technology allows direct and secure financial transactions in real time.

LBBW and *DZ Bank* are arranging the financing, which is expected to close in mid-February.

The blockchain tranche, which will make up around a quarter of the issuance, is exclusively marketed by LBBW and has a maturity of slightly above one year, while the traditional component is expected to have a maturity of seven to 15 years.

As with the Daimler transaction, which was also arranged by LBBW, regulatory requirements for a Schuldschein will be satisfied in parallel with the blockchain transaction. Banks are in ongoing talks with authorities about the possible removal of that regulatory restriction.

Telefonica Deutschland's blockchain tranche is being marketed to a larger number of investors than the Daimler transaction, which was placed with a handful of investors. Interested lenders will have to implement the necessary technical infrastructure to participate.

"With the second promissory note transaction on the blockchain … We deepen our knowledge and develop the technology together with our customers," said Karl Manfred Lochner, corporate board member for LBBW.

STANDARD DOCS

Schuldschein is particularly well-suited for blockchain because of its concise and relatively standard documentation. Digital processes can replace labour-intensive manual procedures such as the creation of loan contracts and the checking of received payments.

Banks are looking at other possible applications of blockchain technology in the financial sector including trade and export financing, bonds, syndicated loans and payment transactions. ■

People & Markets

15 Minneapolis Fed President Neel Kashkari is pushing for big US banks to double the amount of capital they hold

17 Germany's DZ Bank restructures its debt capital markets and syndicate teams to better evaluate trading and flows

19 Banks in Britain have been criticised for dragging their heels on divulging the gender pay gap of its staff

FRONT STORY RESULTS

JP Morgan Q4 dragged down by trading

Bumper underwriting and tax optimism counter weak FICC

JP MORGAN's corporate and investment bank was dragged down by a tough period in fixed income trading in the fourth quarter and a big hit to equity trading from a single margin account.

The bank had previously warned that revenues from fixed income, commodity and currency trading would be weak, but in the final month of trading the decline ended up being twice as bad as the bank had predicted.

FICC revenues fell 34% from a year earlier to US$2.217bn. Analysts were expecting a roughly 18% decline in the period. That left FICC revenues for the year down 16% from 2016 at US$12.8bn (see chart).

Revenues from equity trading in Q4 were flat at US$1.15bn. Combined FICC and equities trading revenues were down about 26% in the quarter, though there were some one-off items behind that steep fall.

Fixed income markets included the net impact of tax reform on the bank's tax-oriented investments. Adjusting for that, FICC revenues were down 27%, due to a tough comparative period a year earlier, low volatility and tight credit spreads, according to JP Morgan chief financial officer Marianne Lake.

STEINHOFF LOSS

Equity trading included a loss of US$143m on a single margin loan, according to Lake. That loss has been tied to South African-based retailer Steinhoff International, which is embroiled in an accounting scandal.

Many other banks were also exposed to Steinhoff, and they could reveal losses in upcoming results or may have chosen to handle their exposure differently. JP Morgan chose to write off the account, taking a US$143m mark-to-market loss on a margin loan in its stock-trading unit.

Lake said US$130m of credit cost in the period was also driven by a reserve build related to that same name.

"Adjusting for those items, our markets revenue would have been down 17% year-on-year, which is much closer to the experience up to the beginning of December when we last spoke publicly," Lake told analysts.

Without the hit, equity trading revenues would have been up 12%, Lake said, on continued tailwinds from investments in cash, prime and corporate derivatives. Analysts were expecting revenues from equities trading to be flat.

Revenues from the corporate and investment bank fell 13% from a year earlier to US$7.5bn. For the year, revenues for CIB fell 2% to US$34.5bn.

Decent investment banking income offset some of the weakness in Q4 trading, as it did throughout 2017.

Investment banking fees were US$1.8bn in the fourth quarter, up 9% on the year. The bank outperformed expectations in DCM and ECM, but fell short in M&A advisory after outperforming earlier in the year.

M&A advisory revenues of US$526 in Q4 were up 2% year-on-year. Revenues from DCM of US$890m was up 12% and ECM revenues of US$342m were up 14% on the last quarter of 2016, propelling the bank to a record full year for both DCM and ECM fees.

"The market remains receptive to new issuance across high-grade and leverage finance and refinance activity was strong," Lake said. JP Morgan gained share and had the largest number of deals in the firm's history. "The overall pipeline remains healthy and at levels similar to last year," he said.

JP Morgan also cheered investors with upbeat comments about the impact of sweeping US tax changes.

Although the bank took a US$2.4bn one-time hit from the impact of the changes, it expects its effective tax rate to drop to 19% this year from 32% in 2017, saving it billions of dollars.

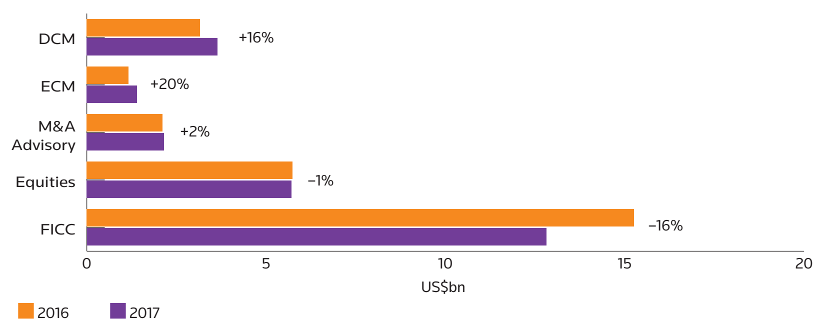
JP Morgan said the changes should also see US corporations borrow more, offer more stock and pursue more M&A, all of which would boost revenues and flow through to its bottom line, and result in higher buybacks or dividends.

Rival WELLS FARGO benefited from tax changes in the period, taking a US$3.35bn one-off from the shift to lift Q4 earnings to US$6.2bn.

Wells' wholesale banking net income was US$2.1bn, down 2% on a year earlier. It said its market share of US investment banking fell to 3.6% from 4.4% in 2016.

Philip Scipio

2017 VS 2016: STRONG DCM AND ECM, WEAK FICC



Source: JP Morgan results

“There has been a plethora of initiatives but the lack of progress of women into middle management is staggering”

KATE GRUSSING FROM FINANCIAL RECRUITMENT FIRM SAPPHIRE PARTNERS, P19

MiFID II setbacks build with dark pool cap delay

Europe’s sweeping financial market overhaul suffered another setback last week as plans to shift more share trading into lit venues were put on hold after poor quality data thwarted publication of the MiFID II double volume cap.

The volume cap limits the number of shares that can be traded in dark pools, and the two-month delay is the latest in a string of concessions that regulators have been forced to make in order to ensure the smooth passage of the biggest shake-up of Europe’s financial markets in more than a decade.

The regulation changes the way that stocks, bonds and derivatives are traded and reported, and is already running a year behind the original schedule.

The double volume cap, which restricts dark pool trading to 4% of average daily volume on a single venue and 8% of ADV on a market-wide basis, was due to come into effect on January 12. Incomplete and poor quality data received from trading venues, however, covered only a limited number of largely illiquid instruments, forcing the European Securities and Markets Authority to postpone publication of the cap to March.

ESMA said starting the new regime based on insufficient data would not work.

Only 75% of trading venues submitted data by the January 5 deadline and complete data were received for 650 instruments – just 2% of the 30,000 falling under the regulator’s gaze.

PERIODIC AUCTION GROWTH

While delays and regulatory forbearance may have prevented MiFID II from being the “big bang” that many expected and feared, the latest concession did not halt the rapid growth of periodic auctions - an alternative to dark pools that aims to limit the market impact of large blocks by executing via smaller auctions in lit markets.

After launching its periodic auction book in October 2015, two years ahead of MiFID II, Cboe Europe saw average daily volume on the platform hit €160m for the first week of January, a 400% increase on the low in December 2017. On Wednesday, after news of the delay on dark pool caps, a record €311m traded through the exchange’s periodic auction book.

“One of the step changes we’ve seen with MiFID is the uptake in periodic auctions,” said David Howson, chief operating officer of Cboe Europe. He said customers were adjusting their strategies and algorithms to work efficiently with periodic auctions and usage was going up.

WAVE OF WAIVERS

ESMA’s latest delay follows a series of 11th-hour reprieves deemed necessary by regulators to avoid trading halts. Just days ahead of MiFID II implementation, market participants were granted a six-month grace period to secure legal entity identifiers for submitting trades to regulators. Some exchanges and clearinghouses were also lifted from open access requirements for more than three years.

On complex issues such as commission unbundling, which forces investors to pay for investment research, some regulators have given buyside and sellside firms until the end of the first quarter to comply, providing they are in discussions.

Citi’s Winter springs to BNP Paribas

Investment banker *Eirik Winter* has left **CITIGROUP** after more than 20 years to move to **BNP PARIBAS** as chief executive officer for the Nordic region and head of corporate and institutional banking Nordics.

At Citi Winter was head of debt capital markets and syndicate for EMEA in London until March 2010, when he became head of investment banking for the Nordics, also based in London.

”BNP Paribas has several hundred people in the region and a range of businesses, so this is a management and strategic exercise for me but I will remain deal-focused,” Winter told IFR.

Winter is Swedish, but was born in Finland. He originally joined what was Salomon Brothers in 1996, prior to its incorporation into Citi.

Citi said *Lars Ingemarsson* and *Ari Makela* had been appointed co-heads of investment banking for the Nordic region. Both joined the bank in 2011. Ingemarsson is based in Stockholm and Makela in Helsinki. They cover Swedish and Finnish markets, respectively.

Citi also appointed TMT banker Alexander Stiris to head its overall business in Sweden and run corporate banking across the Nordic region.

Stiris has replaced Mikkel Gronlykke, who has relocated to London to run corporate banking for Central and Eastern Europe.

NORTHERN EXPANSION

Winter will start his role at BNP Paribas on April 3, reporting to *Yannick Jung*, who in December was promoted to head of global banking for EMEA.

Jung was previously head of corporate clients financing and advisory for EMEA. In

Who’s moving where…

Dave Friedland has been named global head of financial and strategic investor M&A at **GOLDMAN SACHS**, succeeding Stephanie Cohen, who became chief strategy officer for the firm in November. Friedland has been with Goldman since 1998. He is currently head of M&A for the real estate and consumer retail groups, and will continue in the real estate role. Goldman also appointed *David Kamo* as head of the financial and strategic investor M&A group in the Americas and Antonio Gatti to head the unit for EMEA.

ALCENTRA, the alternative fixed income specialist unit of Bank of New York Mellon, has appointed *Leland Hart* as head of US loans and high-yield. Leland joins from BlackRock, which he joined in 2009 and had primary responsibility for investing, fundraising and managing its loan business. He previously worked in Lehman Brothers’ leveraged capital markets group for eight years, and before that was at Bank of America. Alcentra said Leland will lead its 16-person investment and research team in New York and Boston.

"These LEI and commission unbundling issues will take months, potentially the whole of this year to sort out, but it does appear that the regulators will be sensitive to the complexity because this is a huge piece of legislation and entirely extraterritorial, so you need to have some calibration over how enforceable it is," said Tony Freeman, executive director, industry relations at DTCC.

The rush to secure LEIs continued last week, particularly from non-EU firms that have been behind in preparing.

Anecdotal evidence suggests that while European participants were well prepared, rules have been more difficult to digest elsewhere. At least one Asian broker-dealer was heard to have been left implementing last-minute manual work-arounds to avoid being cut off by large institutional clients as vital compliance information was not passed from relationship managers and traders to the middle and back office.

"There's huge variance in readiness," said Freeman. "Many European firms are ready but you can only be as ready as your counterparty and some countries haven't legally transposed rules yet. It is going to take the whole of 2018 to bed down."

Helen Bartholomew

his new position he is responsible for global banking, supervising country managers as well as financing, advisory and transaction banking service lines for corporate clients across EMEA.

Jung is based in Paris and reports to Yann Geradin, head of CIB.

BNP also appointed *George Holst* as vice-chairman of the corporate executive sponsorship board, chaired by Jung, to whom he will report. Holst joins from JP Morgan, where he was global head of retail investment banking. He will also be on the global banking EMEA board, and will be based in Paris.

Christopher Spink

Kashkari calls for 15% leverage ratio

The **MINNEAPOLIS FEDERAL RESERVE** is pushing for big US banks to double the amount of capital they hold to slash the risk of a massive financial crisis in the next century to 9% from 67%.

Under the so-called Minneapolis Plan unveiled last week, banks with assets of more than US$250bn would be required to issue equity equalling 23.5% of risk-weighted assets. Under the plan the leverage ratio would nearly double to 15% from 8%.

The Minneapolis Fed, under the leadership of President Neel Kashkari, began working on solving the "too big to fail" problem for the largest banks two years ago. It released a draft of the current proposal in November 2016.

But a lot has changed since then. Most importantly, Donald Trump won the US presidency and joined the Republican Party in pushing to roll back regulations affecting most US banks, including the systemically important banks.

"I recognise that the political winds are blowing against us at the moment," Kashkari told IFR. "But things can change quickly and I feel very good about the fact that we have the analysis done. It's been tested, people have scrutinised it."

Forcing the largest banks to hold that much equity capital would be a drag on the US economy, but it would be a small price to pay if it avoids the next large-scale finance crisis.

The final plan makes a stronger case for raising capital requirements for the largest banks, the regional bank said. Enacting it would reduce the 100-year chance of a crisis.

Leaving capital requirements at current levels, he said, leaves taxpayers at risk of a future crisis and bailout.

In the two years since the Minneapolis Fed released its first draft, half a dozen other studies have been done and they all call for substantially higher capital requirements for the biggest banks, Kashkari said.

"A consensus is emerging among experts that it is socially optimal for the biggest banks to have a lot more capital than they have today - it's not just the Minneapolis Fed saying it."

FOUR STEPS

The plan would be adopted in four steps. First, it would require the largest banks to issue common equity equal to 23.5% of risk-weighted assets, with a corresponding leverage ratio of 15%. This step would reduce the chance of a public bailout in the next 100 years to 39%, from 67% under current regulations.

The second step would require the US Treasury Secretary to certify that individual large banks are no longer systemically important. If the Secretary cannot make the certification, the bank would be forced to hold an additional 5% of capital a year until it is no longer systemically important, maxing out at 38%.

That is the level of capital, according to the Minneapolis Fed, that reduces the 100-year chance of a crisis to 9%.

Rather than hold common equity of 38% of risk-weighted assets most banks would likely break up, Kashkari argues.

The plan also goes after shadow banking by imposing a tax on the borrowings of firms with assets over US$50bn of 1.2% in the third step. Shadow banks deemed systemically important by the Treasury Secretary will be hit with a tax rate equal to 2.2%.

The final step would be to reduce the regulatory burden for community banks.

Philip Scipio

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Edinburgh-based fund manager **BAILLIE GIFFORD** has appointed *Lesley Dunn* (left) as co-manager of its corporate bond fund and *Lucy Isles* as co-manager of its high-yield bond fund. Dunn will join Torcail Stewart and Stephen Rodger as a co-manager on the corporate bond fund, which had assets under management of £727m at the end of November. Dunn is an investment manager in the high-yield team, after joining Baillie Gifford from Aberdeen Asset Management in 2016.

Gary Simpson has joined **ICBC STANDARD BANK** as chief operating officer of global markets. He reports to Guido Haller, head of global markets. Simpson was at HSBC, where he had the same position in the FX option and global commodities businesses. Previously, he had been COO of Asia commodities at Deutsche bank in New York and Singapore. Global markets at ICBC Standard Bank encompasses commodities, fixed income, currencies and equities.

Bellwether

Bellwether: *n.* From the practice of placing a bell around the neck of a castrated ram so that it might lead its flock

BARELY HAD BNP Paribas sent out its press release announcing the appointment of Eirik Winter as head of its Nordic operations than Game of Thrones fans devoured it like a pack of like-minded journalists thrown a gift from the Pun Gods. "Winter is coming" screamed just about everyone, in perhaps the only catchphrase from the show that everyone knows. Let's hope neither Winter nor BNP Paribas are Thrones aficionados or they might be offended.

You don't need to be a stable genius to know that Winter is Coming is the motto of House Stark, urging constant vigilance.

The Starks, being the Lords of the North, strive always to be prepared for the coming of Winter. BNPP's staff will be hoping that Eirik turns out to be a bit more cuddly.

A MORE SIGNIFICANT Game of Thrones has just kicked off at Berkshire Hathaway after founder Warren Buffett appointed Greg Abel to vice-chairman of the non-insurance business and Ajit Jain as vice-chairman of the insurance operations.

It's a fight of biblical significance as Jain and Abel fight for the top job. And you don't need to be a stable genius to know how that one turned out.

PERHAPS STUNG BY Bellwether's reporting of him being called a dinosaur, Jamie Dimon has recanted on his comments regarding bitcoin.

Speaking to Fox Business Network, the JP Morgan Chase CEO said that he "regrets" his now infamous criticism of bitcoin, referring to the cryptocurrency as a "fraud".

In banking, one man's fraud is another man's opportunity and Jamie is back-pedalling after Lloyd Blankfein offered a more even-handed assessment, neither condemning nor praising bitcoin.

As banks figure out whether to start trading desks in the cryptocurrency, Jamie's mea culpa amounts to a charm offensive. But – and let's take a step back here – surely we've reached peak-cryptobabble when the CEO of the world's most successful global bank starts apologising to a virtual currency.

Now that Jamie has joined the hodl merchants (look it up), the next step is surely for him to meet the Virtual Currency Girls, a Japanese pop group where each character is based on a different cryptocurrency. Bellwether would pay to see that.

HATS OFF, MEANWHILE, to Ed Chandler, who has become the latest banker to set up a boutique advisory shop. But Bellwether's admiration comes not just from the fact that Chandler, a former managing director at Deutsche Bank and Merrill Lynch, has struck out on his own but that he has avoided giving his new venture an eponymous title.

In recent years, everyone from Ken Moelis to Paul Taubman, Simon Warshaw and the Zaouis have put their own name on the door.

Ask them why and they say it's so the clients know who to hold accountable, which sounds like a humble brag.

By contrast, Chandler has named his venture Namier Capital Partners, presumably because calling it Chandler & Co would run the risk of sounding like he's running a firm of candle-stick makers – a joke that after a while would get on his wick. ■

Who's moving where…

■ Long-standing **UNICREDIT** executive *Vittorio Ogliengo* is leaving the bank at the end of February. The 59-year-old has been in charge of investment banking activities in its domestic heartland of Italy for the last six years. The bank has appointed *Alfredo Maria De Falco* to replace Ogliengo as head of CIB Italy and *Nicola D'Anselmo* as deputy head. De Falco has run UniCredit's CIB Americas since October 2016. D'Anselmo joined the bank in 2012 from BNP Paribas.

■ **HOULIHAN LOKEY** has hired *Nathan Pund* as a managing director in its consumer group working from Dallas and focusing on the active lifestyle sector. Pund joins Houlihan from Lazard's middle market group. Prior to Lazard, he was at DA Davidson, which he joined in 2010 as part of a deal to acquire Silver Steep Partners, the boutique investment banking firm he co-founded in 2005.

■ **GOLDMAN SACHS** has made two hires in Asian equity capital markets. *Christian Lhert* joined from Morgan Stanley and will be responsible for equity-linked products and equity derivatives solutions in Asia ex-Japan. *Susee Tang Gough* joined from Citigroup.

■ *Byungil Lim* has joined **UBS** as head of corporate client solutions and country head for South Korea. Lim was with Credit Suisse for the last 13 years, most recently as co-head of South Korea. He was also with Lehman Brothers.

DZ Bank restructures DCM

Germany's **DZ BANK** has promoted *Friedrich Luithlen* to head of debt capital markets, part of a broader restructuring of its DCM and syndicate teams.

Luithlen, who has worked at DZ Bank for 14 years, was previously head of MTNs and covered bonds. In his new role, he also oversees bond and Schuldschein syndication.

The bank has changed its regional coverage model to a product approach, with teams dedicated to credit (corporate bonds and Schuldscheine, as well as financial credit) and rates (covered bonds, German Laender and SSA).

"This not only creates large communication benefits combining the relevant deal knowledge to the benefit of issuers, it also allows the respective syndicate teams to more efficiently analyse and evaluate trading and client flows through our relevant trading desks," said Luithlen.

Kai Poerschke is now leading the new dedicated SSA coverage team and will be joined by *Jenny Lale Petersen* from Commerzbank, starting on February 1.

Joerg Mueller has assumed coverage of financial issuers, while Bettina Streiter will continue to run corporate DCM origination.

DZ has also separated credit from its rates syndicate. The former is now headed up by *Nicole Zorn* and will be responsible for financials, corporates and corporate Schuldscheine, supported by Ingo Holzwarth. They will be joined by *Christian Klocke* in April, after he resigned from Commerzbank last month.

Ralph Ockert is leading rates syndicate, with Christoph Alenfeld and Stefan Welp continuing to focus on covered bonds and German Laender. Ockert and Christian Mundt will focus on SSA issuers.

Maximilian Lainer is now heading the MTN desk.

Alice Gledhill

Jefferies poaches RBC senior bankers

JEFFERIES has hired *Dai Clement* and *Lorna Shearin* from Royal Bank of Canada to develop its power, utilities and infrastructure business, as part of a wider investment banking expansion, banking sources said.

Clement will become global head of power, utilities and infrastructure investment banking, while Shearin will be the European head from April. Both will be based in London, the sources told Reuters.

Clement was European head of utilities at RBC, while Shearin headed the bank's infrastructure team in Europe. RBC said during the first half of 2017 it advised on nine infrastructure transactions, totalling more than US$27bn globally.

Jefferies declined to comment on the new hires, while RBC confirmed both Clement and Shearin had left at the start of the year. Clement and Shearin did not respond to requests for comment.

Jefferies, a unit of **LEUCADIA NATIONAL CORP**, has been on a recent hiring spree, adding 11 managing directors in Europe, Middle East and Africa over the past year, including investment bankers from JP Morgan, HSBC, Nomura and boutique bank Perella Weinberg.

It has also hired *Raj Khatri* from Australia's Macquarie as its European head of metals and mining.

Clara Denina

Cantor nabs Apthorpe for equity-linked build-up

CANTOR FITZGERALD has hired *Andrew Apthorpe* from Royal Bank of Canada as global head of equity-linked origination as it builds up a relatively new business.

At RBC Capital Markets Apthorpe had been global co-head of convertible bonds and equity-linked origination since 2009. Before that, he spent 12 years in convertible origination at Deutsche Bank.

Apthorpe said several things attracted him to Cantor. "The entrepreneurial aspect of building a new platform - and the momentum of a rapidly growing investment bank focused on life sciences and healthcare," he told IFR.

Cantor Fitzgerald has plenty of momentum in straight equity. That excludes at-the-market stock sales, where the bank has a long-established practice.

But the last time it was a bookrunner on an equity-linked deal was in 2011, and then just as one of three banks on a US$160m convertible bond for broker affiliate BGC Partners.

Apthorpe expanded the business at RBC, and in 2014 the bank ranked fifth in the US equity-linked league tables with 17 transactions and US$3.3bn of business. That compared with just one deal for US$50m in 2009.

He joins a growing team in Cantor Fitzgerald's equity-linked business.

James Kenney, the longtime head of convertible bond sales at Goldman Sachs, joined Cantor in December in a similar role.

Kevin Cadden, another Goldman Sachs alumnus, also signed on last month as a senior director in convertible sales.

Stephen Lacey

Please contact us if you have information about job moves: **peoplemarkets@thomsonreuters.com**

■ *Petri Kivinen* has joined the emerging markets debt capital markets team at **DEUTSCHE BANK**, sources said. He joins from Morgan Stanley, where he was a managing director within the fixed income capital markets team with responsibilities for Central and Eastern Europe, the Middle East and Africa. Kivinen's previous experience includes stints at Renaissance Capital, where he had been head of DCM and corporate fixed income origination, and at Dresdner Kleinwort, where he was head of EEMEA capital markets origination.

■ **LAZARD** has hired *Andrea Bozzi* from Credit Suisse, sources said, in what would be its third hiring of a new M&A banker in Paris in the last three months. Bozzi worked at CS in Paris and is due to join Lazard in March, one of the sources said.

■ **TERRA FIRMA** has appointed *Vivek Ahuja*, former deputy CFO of Standard Chartered, as its financial officer. The private equity firm also hired *Mark Elliott* from Lloyds as head of support capital.

■ Emerging markets investor *Mark Mobius* will retire from **FRANKLIN TEMPLETON INVESTMENTS** at the end of January. Mobius, hired by John Templeton in 1987 to launch one of the first mutual funds dedicated to developing economies, ran the investment firm's emerging markets team until 2016, when he passed on his role as chief investment officer to Stephen Dover. As executive chairman of Templeton Emerging Markets Group, he oversaw around US$50bn in

“I recognise that the political winds are blowing against us at the moment”

MINNEAPOLIS FED PRESIDENT NEEL KASHKARI TELLS IFR, P15

Capital markets week ahead: ADT IPO, Pirelli bond, Steinhoff talks

BREAKING AND ENTRY Burglar alarm maker ADT brings the first benchmark IPO of the year on Thursday. Private equity owner Apollo Global Management, which only bought the company two years ago, is seeking to raise US$2.1bn from the listing. But it isn't cashing out: proceeds will be used to pay down debt and redeem US$658m of preferred securities held by the investment arm of the Koch brothers.

The deal will be the biggest IPO out of the US since Snap's US$3.9bn debut last March, and is likely to kick start the market after a lacklustre end to the year. While a possible IPO of Dropbox and a direct listing by Spotify are grabbing all the headlines, PE deals are likely to dominate issuance in the early part of the year. Blackstone-backed Gates Industrial and Advent International's Serta Simmons Bedding could be next.

PIT STOP Pirelli hits the road to meet with investors ahead of a euro-denominated bond deal, in what will be its first visit to bond markets since its €2.3bn listing in September. The Italian tyre maker will be hoping for a better reception from fixed income investors – lukewarm interest from equity investors meant its IPO priced near the bottom of the range. BNP Paribas is arranging this week's meetings.

QUARTER POUNDER Citigroup, Bank of America, Goldman Sachs and Morgan Stanley all release their latest quarterly numbers this week, offering a detailed look into the health of the investment banking industry. JP Morgan released earnings last Friday, reporting a 37% drop in quarterly profit due to a US$2.4bn charge related to the new federal tax law.

SOFA, SO GOOD South African furniture retailer Steinhoff is expected to conclude talks with lenders as it seeks to plug a €200m funding gap. The company was left with a €550m liquidity hole after some creditors withdrew lines in response to revelations of potential accounting irregularities, but deals have since been struck to bring down its immediate needs. Talks on the remaining funds are believed to be advanced.

BANKING ON DEMAND Pre-marketing begins on India's biggest bank IPO. Bandhan Bank is seeking to raise Rs45bn (US$700m) from the deal, which is slated to price in March. It plans to sell up to 119.3m shares as part of the listing, with 21.6m of those coming from the International Finance Corporation – part of the World Bank – and its IFC FIG fund, which are reducing their stakes in the bank.

THE FIRST SAMURAI French banking group BPCE is set to bring the first Samurai of the year. It has already begun sounding out investors about demand for senior preferred and senior non-preferreds. A social bond flavour may be added to the deal. BPCE is a well-known issuer in yen markets: about a year ago, it became the first French bank to sell senior non-preferreds after placing ¥69.6bn (US$622m) of five-year paper.

WINGING IT US sandwich chain Arby's is scheduled to meet with investors to market a US$485m eight-year bond backing its US$2.9bn purchase of rival chain Buffalo Wild Wings. The fast food retailer is marketing the debt against an extremely accommodative backdrop: the US high-yield market reached a new post-crisis tight last week, with investors seemingly still hungry for more paper.

ALL WRAPPED UP US packaging manufacturer Crown Holdings is expected to hit the market with a three-tranche €1.7bn high-yield bond deal. It is raising funds to back its acquisition of Signode Industrial Group Holdings, which it bought from The Carlyle Group last year for US$3.9bn. The company is looking to issue €335m of five-year, €600m of eight-year and US$750m of eight-year notes.

HARVESTING DEMAND PhosAgro is set to launch a US dollar bond deal after wrapping up three days of investor meetings on Tuesday, in what would be the first Russian Eurobond of the year. The phosphate-based fertiliser producer is eyeing a maturity between five and seven years. It began meeting investors in Moscow last week and also has visits to London and New York.

SPREAD BET US private equity firm KKR is expected to mandate banks on a debt package to back its €6.83bn acquisition of Unilever's margarine and spreads business. The deal will be backed with €5.65bn-equivalent of debt financing. Credit Suisse, Deutsche Bank and KKR Capital Markets are expected to lead the debt financing, alongside a number of other banks that could include BNP Paribas, ING, Lloyds, RBC and UniCredit.

GREEN LIGHT The trial of former Anglo Irish Bank chief executive David Drumm is set to reconvene this week, following an eight-month delay. Drumm has been charged with 33 counts relating to his time at the helm of AIB, including forgery, conspiracy to defraud, provision of unlawful financial assistance, false accounting and falsification of loan facilities. Some of the offences carry a maximum sentence of 10 years.

DRUG MONEY Swedish pharmaceutical firm Infant Bacterial Therapeutics kicks off its SKr440m (US$53m) rights issue on Tuesday, when subscription opens to existing shareholders. Proceeds will be used to finance continued operations and completion of its development programme through a Phase III study aiming for market approval in 2020. Subscription ends on January 30.

LAST WEEK IN NUMBERS

2.6% – Yield on 10-year Treasuries on Wednesday, the highest in nine months

US$6.5bn – Amount raised by Oman in a three-tranche offering, equivalent to 10% of its GDP

333bp – Average spread on US junk bonds last Tuesday, a post credit-crisis tight

€18.85bn – Orders for Portugal's first syndicated bond deal since Fitch upgraded it to BBB

Banks lag behind in gender pay reporting

Major investment banks in Britain have been criticised for delaying reporting how much they pay their male and female staff until the last moment.

New legislation requires employers with more than 250 staff to disclose differences in pay by gender each year. With less than three months to go until the first annual deadline, more than 500 companies have produced the required report, but only 16 are financial firms.

Firms to report already include VIRGIN MONEY, TSB, CO-OPERATIVE BANK, CLYDESDALE and ALDERMORE.

On average all showed that women were paid at least 30% less than men. And men constituted the majority of the highest paid quartile for all of them.

"It is deeply disappointing that only a few financial firms have reported so far," said Kate Grussing, managing director of financial recruitment firm Sapphire Partners.

"Most are waiting until the March reporting season and will be doing it in a pack," she told UK lawmakers in a hearing on women in finance.

The evidence submitted so far confirmed men continued to occupy the most senior and highly paid roles in finance, with women generally in lower paid more junior roles.

Grussing said this was despite the industry generally recognising that it needed to recruit more women into senior positions.

"After the financial crisis the sector has had a 'come-to-Jesus' moment. There has been a plethora of initiatives but the lack of progress of women into middle management is staggering," she said, given the significant investment.

MIDDLE MANAGEMENT MEN

About one-sixth of senior appointments reported by IFR over the past five years have been women.

Some financial services firms, such as LLOYDS, have set targets for the proportion of women they want to employ at different levels throughout their organisations. It wants 40% of its senior managers to be women by 2020.

ROYAL BANK OF SCOTLAND has said it wants women to make up at least 30% of its top three leadership layers in its different divisions by 2020 and aimed to be "fully gender balanced by 2030."

The bank said 52% of its 79,099 staff were female at the end of 2016, but only 22% of its 145 executives were women.

BARCLAYS' last annual report showed 15% of its managing directors are female, against 52% of all 119,300 staff.

Its group executive committee does not currently include any women; 25% of staff who report directly to the executive committee members were women at the end of 2016.

Rather than focusing on higher board representation, addressing the paucity of women coming through the middle ranks was a harder but key issue, Grussing told MPs.

"That's where decisions are made regarding promotions or redundancies and special assignments. It's very difficult to have visibility there," she said. "Figures on gender pay gaps do not help."

Jon Terry, partner at PwC, and leader of its financial services HR consulting arm, agreed.

"The biggest reason women don't progress is the promotion processes. Middle management upwards, it is men making these decisions," he told the committee.

He said changing the culture of the organisation was important. "Culture is led from the top and embedded by individuals on the ground managing teams," he said.

"Boards will say diversity is a priority but when asked how high a priority, not many will say it is in their top five, which are the only ones they will work on."

Another problem is that banks have not been actively hiring in recent years, making it harder to embed new practices, Grussing said.

Most major banks are expected to report gender pay data when they issue their annual reports in February and March.

The criterion catches most major investment banks in London as well as UK-headquartered firms, since it applies to any business, public or private, even if it is a subsidiary of a foreign entity.

Christopher Spink

EU exchanges align with Zurich after MiFID II mismatch

European stock exchanges, including Cboe Europe and Aquis Exchange, have aligned minimum pricing increments for Swiss share trading with Zurich's SIX Swiss Exchange, which may have gained an unintended competitive advantage under MiFID II.

The Swiss bourse saw its market share in domestic securities jump to 75% at the start of this year – up 10 percentage points from a year ago. The cause, some believe, was more granular pricing resulting from a mismatch in calculation data between EU and EEA exchanges under the MiFID II tick size regime.

The Swiss exchange adheres to the MiFID II regime, applying the same tick size logic as its EU counterparts, but as a non-EU venue it bases those calculations on its own activity.

EU venues, in contrast, were forced to ignore the largest market for Swiss stocks, instead basing tick sizes on activity at the largest EU venue for the instruments.

For the stocks in question, that is Cboe Europe, which had a market share of around 13% in Swiss stocks on the January 3 implementation date, down from more than 17% a year earlier.

That changed on Friday when Cboe Europe and Aquis Exchange moved Swiss stocks traded on their venues to a new tick table, aligning with more granular domestic increments. That affects around 40 instruments at Aquis and 168 at Cboe.

"The regulators are aware of our decision to do so and this is part of a wider analysis by the regulators of the post-MiFID II impact on trading third-country listed securities," Cboe said.

The change appeared to garner immediate rewards for Cboe Europe, which saw market share in the instruments rise back to almost 17% in mid-afternoon trading. The Swiss Exchange saw its share of domestic stocks slip below 70% at the same point, data from Cboe Global Markets show.

EU exchange groups have lobbied on the issue, noting wider concerns associated with misalignment of tick sizes.

In the wake of the first MiFID overhaul of equity markets a decade ago, a race to reduce tick increments was abruptly halted by an agreement for greater consistency. As a result, systems have become used to shares being traded at the same tick size across all venues. Problems can occur when smart order routers attempt to send orders from one venue to another as the prices may not be divisible.

"The whole scope of MiFID I was to create a level playing field. If you inadvertently stifle that with the second iteration by constraining your scope of trading to fewer venues, no one is winning," said David Howson, chief operating officer at Cboe Europe.

A spokesperson for SIX in Zurich declined to comment on market share given the limited number of trading days under the new regime, noting only that figures vary day-to-day and are influenced by various factors.

Helen Bartholomew

“The practice of offering higher bond rebates for weaker credit quality bonds would create a conflict of interest situation”

MONETARY AUTHORITY OF SINGAPORE SPOKESPERSON, P23

■ COMMENT

Bank mergers not a 2018 story

KEITH MULLIN reckons transformational large-scale bank mergers in Europe are unlikely in the next few years for several reasons, despite all the gossip that M&A is coming down the tracks

EUROPEAN BANK MERGER mania seems to have caught the imagination and looks set to be a driving theme for 2018. There’s only one problem: it’s caught the imagination of policymakers and the media rather than the banks.

What’s scarcely believable is the alignment of European policymakers behind the story. After a decade of forcing banks via punitive regulation to become smaller, policymakers are now citing mergers as an optimal way of creating better levels of EU-level banking integration and a more efficient sector that better serves the economy – all the while being seemingly oblivious to the notion of economic and shareholder value that has to drive activity and that they’ve helped undermine.

ECB Supervisory Board chair Daniele Nouy made a scarcely believable speech in Madrid in September (“Too much of a good thing? The need for consolidation in the European banking sector”) in which she exhorted banks to merge both domestically and cross-border. That seems patently ridiculous while banks are still in the midst of trying to figure out how to navigate their way through an eye-wateringly complex regulatory vortex that’s going to consume their attention – and tens of billions of dollars of their capital – for at least another decade.

And let’s not forget that banks are still embroiled in business-model and business-line optimisation, even if many are entering the end-phase of their individual efforts.

Complicating the picture, Europe still lacks a unified tax, insolvency and accounting framework; there’s no unified deposit insurance scheme; and a tough capital retention regime at the level of individual jurisdictions that cuts across funding and other potential consolidation benefits also needs to be taken into account.

So while it’s easy to postulate the notion of M&A as a sound concept on paper – a lot of senior bankers have gone on record over the past couple of years saying they buy the theory – cold reality kind of gets in the way and spoils the party.

BUT THAT HASN’T stopped an excited mediasphere from engaging in speculation, oddly unfazed by the fact that the only bank ever mentioned in dispatches as a takeover candidate is Commerzbank (supposedly being eyed up by Deutsche Bank, UniCredit, BNP Paribas, Credit Agricole, Nordea and no doubt others).

I’m also forever reading that Santander, UniCredit and BNPP are likely to be leading European cross-border consolidators, and that there are too many banks in Germany (if you count individual Volksbanken, Raiffeisenbanken and Sparkassen as separate banks), inferring there could be domestic consolidation at that level.

I COULD BE totally wrong but I’m sceptical about transformational large-scale bank mergers in Europe in the coming two to three years. My best guess is there will be another couple of years of activity clustered around portfolio sales (NPL and performing), business-line offloads, opportunistic bidding by private equity, Chinese and other bidders for assets as they come up for sale, small-scale in-country activity, and distressed takeovers (which you can never fully discount). In that respect, I don’t think it’ll be very different from 2017.

The past year in bank M&A was dominated by takeovers of failed banks. In fact, two of the five biggest financial-sector deals of 2017 were rescues: the Russian government’s US$7.7bn rescue of Bank Otkritie and the Italian government’s US$4.4bn EU-sanctioned rescue of Banca Monte dei Paschi di Siena (plus Quaestio’s US$1.85bn purchase of that close to US$30bn BMPS NPL portfolio).

Also in the distressed arena, there was Santander’s opportunistic acquisition of insolvent Banco Popular for €1; Intesa’s government-marshalled takeover of Veneto Banca and BPVi for nothing; Bankia’s US$926m acquisition of failed Banco Mare Nostrum from Spain’s resolution authority; and Lone Star’s US$1bn takeover of Novo Banco in Portugal from the ashes of the BES collapse. Those deals spawned a merry-go-round of related activity.

Non-bank bidders – private equity and others – will continue to bid opportunistically for European financial sector assets.

Chinese suitors will carry on in their quest to gain a foothold in Europe and look for keenly priced opportunities. Their bidding last year saw mixed results. Legend Holdings was successful in its US$1.8bn bid for Banque Internationale a Luxembourg; and HNA Capital raised its stake in UK-based Old Mutual unit OM Asset Management.

BEYOND THAT, BANK M&A last year was (and I suspect will be into the foreseeable future) a mixed bag of stake peddling, business and portfolio offloads (Barclays selling its Africa business, Santander buying Deutsche Bank’s retail business in Poland; BBVA selling its Chilean business to Scotiabank and raising its stake in Turkey’s Garanti Bank). That theme still has legs and will continue as long as banks continue to fillet their businesses to cut costs, re-orient operations in core areas and seek to drive up ROE.

The days of mega-bank mergers that can drive significant cost savings at the same time as achieving worthwhile business-level consolidation or business diversification just look somewhat out of reach at this point. Even if banks are over the worst of their GFC-induced pain and bank deleveraging is decelerating, you’d expect a period of calm before a takeover storm.

All of the above said, bank M&A can be as much an opportunistic pursuit as a long-term strategic one. So having discounted a circus of activity and on the basis that everyone needs a get-out, you just know the next big deal is just around the corner. ■

Investors push back on M&A bond clauses

Major bond investors last week proposed changes to special mandatory redemption clauses that would compensate them more for risks in bonds that pre-fund mergers and acquisitions.

In an open letter, industry body The Credit Roundtable said the current standard – a cash price of 101 to redeem bonds when an M&A deal is not consummated – is inadequate.

It cited interest-rate risk as well as the risk of deals not winning either regulatory or shareholder approval, and said investors should get more when mergers fall apart.

The group also said it opposes letting issuers extend the time to close an M&A deal with no recourse for investors, and that redemption clauses should trigger in, for example, 180 days.

"M&A bond redemption clauses should be closer to traditional call options and be more consistent with the way corporate bonds trade, to allow for better risk management on the buyside," said David Knutson, co-leader of The Credit Roundtable and head of Americas credit research at Schroders.

The cash price of 101 in special mandatory redemption clauses did not make sense, because IG bonds generally traded at a spread over Treasuries, he told IFR.

"SMRs that have a cash price create a lot of rate risk, because IG buyers sell Treasuries to hedge their risk of corporate bond holdings in order to isolate the spread between Treasuries and corporate credit," he said.

"But a fixed price makes it complicated, because you're not isolating the rate risk: it's 101 whether rates go down or up. That makes it hard to hedge."

M&A financings are now typically pre-funded well in advance, often before a deal has received regulatory or shareholder approval.

And with spreads so tight, the pre-funding window has stretched out even longer – increasing the rates risk for bond buyers.

"Rate risk is now more meaningful," Knutson said.

FAILURE RATE

At least six large M&A deals funded by new debt have fallen through in the past three years or so, often leaving bondholders ruing the terms they agreed to.

Before the Aetna-Humana merger was blocked by the US courts last year, Aetna's long-dated SMR bonds were trading at a cash price of 108.

In 2015, when Sysco's merger with US Foods was abandoned, its SMRs were trading above 113. In both cases, holders were redeemed at the 101 level.

In the latest case, the US Department of Justice has filed suit to block AT&T's mega-merger with Time Warner.

Some US$22.5bn of US dollar bonds were priced in July to fund it, carrying a nine-month window to close the transaction.

The bonds will be redeemed at 101 on April 22 if the deal is not consummated by then, but the DoJ's hearings on the matter don't even begin until March 19.

The Credit Roundtable says the clauses should be changed, and that such bonds should be redeemed at whichever is greater: 101, or a level based on the relevant Treasury rate at the time of redemption.

Given that borrowers have had their way in the recent climate – demand remains red-hot, even at ultra-tight spreads – there is no obviously compelling need to change protocol.

But Knutson believes there is reason enough.

"People who treat their providers of capital well will have good outcomes," he told IFR.

"Sometimes you see a short-term gain by not treating someone fairly or well but it does come back to bite you. We're hoping markets will evolve."

Eleanor Duncan

FROM THE ARCHIVE: 10 years ago this week

RUN UP TO THE FINANCIAL CRISIS

From January 12 2008 issue

Merrill dilemma

Markets are bracing themselves for another shock this week, with speculation mounting that Merrill Lynch CEO John Thain could announce a write-down well above previous market estimates of US$10bn when the firm reports full-year results on Thursday.

In that context and given the turmoil Merrill has endured over the past six months, the size of the bonus payments made last week was a welcome surprise for many bankers at the firm. Some originators reported bonuses up 30%–40% in spite of the overall firm losing money in 2007, with many saying these figures had beaten their expectations.

Before being fired last year, former CEO Stan O'Neal had pledged that the firm would continue to pay competitively in order to reward those parts of the business that had recorded a strong performance. But that assurance had not been enough to remove the suspicion that Merrill would expect even top originators to share the pain caused by reckless trading.

A fourth-quarter write-down at a level above US$20bn would force Merrill to improve its equity base by US$2bn–$5bn, according to Bernstein analysts. They said the firm would have three viable options under this scenario: sell its Bloomberg stake for about US$4bn; obtain an additional outside equity investment; or slim down its balance sheet by cutting its fixed-income business by around a third.

Rating agencies hit by structured credit downturn

Moody's, S&P and DBRS last week provided stark evidence of the effect the crisis in structured credit is having on the industry. DBRS closed down its three European offices after just two years in operation, while the other two agencies made significant cuts to their workforce.

DBRS said it will close its Frankfurt, London and Paris branches with the loss of all 43 positions. The European deals that it has rated – just over 40 – will now be handled by its US office.

Moody's has taken a US$47m–$52m fourth quarter restructuring charge resulting from a 7.5% reduction in its headcount, representing a loss of 275 positions. McGraw-Hill, the parent company of S&P, said it will take a US$43.7m fourth quarter restructuring charge to cover 611 staff cuts, amounting to 3% of the workforce in its financial services and education units.

The rating agencies certainly profited from the huge expansion in structured credit, but with demand for ratings expected to plummet over the forthcoming year and possibly for longer, it no longer makes economic sense to maintain those resources.

ISDA drafts EU-governed contracts on Brexit qualms

ISDA is drafting French and Irish law-governed versions of its Master Agreement to provide greater certainty over the legal footing of a document underpinning much of the €542trn over-the-counter derivatives market when Britain leaves the European Union.

The ISDA Master Agreement, which sets out standard contractual terms for OTC derivatives trades, has been governed by English and New York law since its 1987 inception, with a Japanese law version added about five years later.

Agreements entered into between counterparties in the EU and European Economic Area are largely governed by English law, with disputes settled in English courts. Those judgements are automatically recognised across member states.

Following Brexit, however, there is no guarantee that English law and English court judgements would be recognised across EU and EEA courts.

The derivatives body said that without an agreement between the UK and EU to preserve automatic recognition of court judgements, English court rulings would only become enforceable within the EU if additional recognition of a ruling is received from a court within the EU27.

For example, in the event of a dispute between an Italian and French counterparty trading derivatives under the English law Master Agreement, the Italian counterparty would need to get an English court judgement recognised by a French court - a potentially costly and cumbersome process.

“It’s an extra step in the process that could take years or, worse, result in another court deciding to reopen parts of the case,” said ISDA in a blogpost.

EU and EEA counterparties could avoid those issues by trading derivatives under a new Master Agreement governed by EU member state law, enabling disputes to be settled in the relevant court and recognised across the bloc. While French and Irish law are a starting point, other jurisdictions have not been ruled out.

There may be additional benefits in shifting to a new, EU-governed contract. As part of the EU’s Bank Recovery and Resolution Directive, credit institutions must insert contractual recognition of bail-in into contracts that are governed by third-country laws. In addition, some national insolvency laws require legal agreements to be governed by EU member state laws for certain protections to be granted.

Some counterparties, however, are reluctant to make the shift to alternative governing laws, having traded derivatives under English law and settled disputes through the English court system for more than 30 years.

“UNCERTAIN FUTURE”

In order to ease the path towards EU recognition of judgements relating to English law contracts, ISDA may also designate the courts of a single EU-27 member state to adjudicate any disputes associated with English law-governed Master Agreements. That would see judgements made by English law specialists within an EU-based court, ensuring they are automatically recognised and enforced across the EU and EEA.

“This is all about preparing for an uncertain future,” said ISDA. “Post-Brexit, there will be excellent reasons to both continue using an English law Master Agreement and to use an EU-law governed agreement. We want to be ready for all eventualities and provide the necessary tools to our members.”

Helen Bartholomew

LCH hits swap clearing records amid Brexit noise

London-based LCH cleared a record US$873trn of over-the-counter derivatives notional in 2017, as the introduction of new products and the rising cost of bilateral exposures overcame uncertainty around the clearinghouse’s future after Brexit.

A 31% year-on-year increase in cleared notional came as derivatives users became subject to new rules requiring them to post collateral against their uncleared derivatives exposures. That has driven many swaps counterparties to voluntarily clear trades that are not subject to a clearing mandate.

For example, inflation swaps clearing hit US$3.1trn on the SwapClear platform – almost three times the 2016 level.

“We’ve seen significant growth in volumes across multiple asset classes driven by new customers as well as additional flow from existing customers,” LCH CEO Daniel Maguire said in a statement.

LCH’s ForexClear processed more than US$11trn notional in FX derivatives, including non-deliverable forwards – a three-fold increase over 2016 levels. EquityClear processed more than 1bn trades, while CDSClear processed €1.1trn notional across credit default swap indices and single name CDS.

The surge in activity came at a time of unprecedented uncertainty for the London-based clearinghouse, which is fighting to maintain its European dominance as the UK plans to leave the European Union in 2019.

New EU proposals could force the most systemically significant firms handling euro-denominated swaps to locate within the 27-member bloc - a move that could prise activity from LCH and fragment euro swaps into onshore/offshore markets.

LCH currently handles more than 90% of cleared euro swaps. Frankfurt-based rival Eurex has stepped up competition with a new profit-sharing programme at its clearinghouse in a bid to lure activity.

Alongside new clearing records, LCH eliminated US$608trn of swaps notional through its compression services – a 58% year-on-year increase. Derivatives dealers and their clients have torn up more than US$1 quadrillion of superfluous derivatives trades to-date, slimming down hefty swaps notionals in response to Basel III capital and leverage pressures.

Repo clearing also hit records. A 25% jump took volume to €175trn for the year across the UK and Paris arms of RepoClear. That came alongside the introduction of new markets, including Belgian and German government debt.

A new sponsored access model introduced at the UK platform allowed buyside firms to clear repo trades with a bank sponsor providing default fund contributions and facilitating margin payments. That service will be expanded to Paris-based LCH SA later this year.

EXPANDED FOCUS

The clearinghouse made its first foray into non-cleared derivatives during 2017. LCH SwapAgent went live for cross-currency basis swaps, which are currently transacted only on a bilateral basis, enabling many of the efficiency benefits that were only available for cleared swaps. The service, which has attracted support from 14 banks, will be extended to swaptions later this year.

Other products slated for development in 2018 include portfolio margining service LCH Spider. The service allows OTC swaps to be netted against listed rates futures cleared through the CCP, including those traded on the London Stock Exchange’s CurveGlobal.

Helen Bartholomew

India moves more bond sales online

New rules to bring more Indian bond offerings online will increase transparency, but threaten the role of intermediaries, according to market participants.

From April 1, the Securities and Exchange Board of India (Sebi) will require electronic bookbuilding for any institutional offering of Rs2bn (US$31.4m) or more, down from Rs5bn under current rules.

The rules also require arrangers to disclose whether or not their bids are proprietary, and compel institutional investors to place big orders directly on the electronic bidding platform (EBP).

The broader use of electronic bookbuilding and the additional disclosure requirements are expected to streamline traditional trades and make deals from frequent government-owned issuers more efficient.

"The new EBP guidelines will improve transparency and pricing for bonds," said Rajeev Radhakrishnan, head of fixed income at SBI Funds Management.

However, he warned that lower-rated offerings and negotiated deals, where covenants were involved, could not be translated easily to the EBP, and said the system favoured bigger banks over smaller bookrunners.

"The new guidelines on EBP are skewed towards bigger banks, which have the balance sheets. Smaller arrangers that don't have balance sheets won't be able to aggregate and put in bids."

DISINTERMEDIATION FEARS

Sebi made electronic bookbuilding mandatory for private debt placements above Rs5bn in July 2016, and launched a consultation process last year, proposing to lower the threshold to Rs500m. Sebi also proposed that institutions bidding for Rs100m or more of a single bond issue would have to place their orders directly on the EBP, rather than through an arranger.

After some resistance from banks and arrangers, the final guidelines relaxed those thresholds slightly. Investors bidding for Rs150m, or 5% of the base issue size, whichever is lower, must do so directly on the platform.

Arrangers, however, still fear their roles will gradually diminish.

"This will discourage merchant bankers because the guidelines ask them to define in advance if it is proprietary or distributed, which is generally not possible," said one arranger.

The new guidelines still apply only to private placements, but cover the vast majority of corporate issuance in the rupee market.

They come amid a surge in rupee bond issuance, the result of a regulatory push to deepen the domestic capital market and ease the burden on the banking system.

Private placements of debt securities rose to an all-time high of Rs6.82trn in 2017, though year-on-year growth slowed to 9.3% from 21% in 2016, according to data from Prime Database.

The National Stock Exchange and BSE both run electronic bookbuilding systems for debt placements.

Sebi's new guidelines will require issuers to provide an information memorandum and a term-sheet to the EBP at least two working days before the issue opens, in order to disseminate information uniformly to all market participants.

Some market participants think that may cause further disruption, especially on more complex or pre-arranged deals. Edelweiss analysts said the cost of borrowing could rise for certain issuers as they will need to sell at a market-clearing price.

Krishna Merchant

Singapore limits bond incentives

Singapore is clamping down on incentives encouraging private banks to sell bonds to wealthy individual clients, in the latest move to tackle conflicts of interest in the local market.

Wealth managers in Singapore typically earn rebates of 50 cents to 75 cents per S$100 face value, rising to S$1 in some cases, for distributing Singapore dollar bonds to their clients.

However, new guidelines limit these payments to 25 cents per S$100, aiming to rein in any excessive sales of risky securities to private-bank clients, who are among the biggest buyers of local currency bonds.

The cap, spelt out in the latest updates to the Private Banking Industry Group (PBIG) and the Association of Banks in Singapore, is imposed on all PBs and wealth-management units of banks in Singapore.

A Monetary Authority of Singapore spokesperson said the rebate cap was a response to past bank practices of linking the rebate amount to the credit quality of the bonds.

"The PBIG recognised that the provision of rebates is a common practice in other markets and the practice of offering higher bond rebates for weaker credit quality bonds would create a conflict of interest situation that may not work in the best interests of the buyers of such bonds," said the spokesperson.

It is the second measure flowing from a review of bond rebates that began in 2016. The first, in place since October 2016, requires PBs to disclose any rebates received when they sell the bonds to their investor clients.

UNEVEN PLAYING FIELD

Rebates given to PBs have been a controversial topic in recent years, as high net-worth investors play a major role in driving the sales of high-yield bonds in the Asian US dollar markets and in some local currency markets, such as Singapore and Thailand.

In 2014, Amtek Engineering paid PBs a S$1 rebate per S$100 face value on its maiden Singapore issue, a S$200m 6.9% five-year non-call three, sparking a furore in the market. In June 2016, Chip Eng Seng gave a 50-cent rebate to PBs on its S$120m 4.75% five-year bond offering. Both issuers were perceived as high-yield credits.

Rebates are commonplace in Asia's G3 debt markets, but remain controversial. Approaches are also inconsistent: a high net-worth investor who had accounts with a couple of PBs said some PBs kept all of the rebate, while some passed on all of it. Others shared the rebate with their clients.

The rebate to PB clients has been a sore point with institutional investors, which argue that it creates an uneven playing field and distorts pricing in the primary market.

Some industry players feared the incentive would drive wealth managers to push sales to their clients even if the credit was not suitable – a scenario that came under the microscope in 2016 when Singapore investors were hit with huge losses on defaulted bonds. Many of the small and medium-sized issuers that ran into trouble had paid out rebates when they raised money.

Critics have long argued for the rebate to be abolished, but some bankers say the incentive is needed to engage wealth managers, who are accustomed to similar practices on structured products, for example.

Kit Yin Boey

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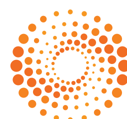


THOMSON REUTERS

■ FRONT STORY FINANCIALS

Generous yield greases wheels for BMPS

❱ Bank starts to rebuild sub with €750m Tier 2

BANCA MONTE DEI PASCHI's successful return to the bond market with a Tier 2 offering was as much a reflection of investors' need for yield as an endorsement of its turnaround.

Last Thursday's trade, a €750m 10-year non call five-year (notes rated Caa2/CCC+ Moody's/Fitch), is a crucial stepping-stone to re-establishing its wholesale funding and rebuilding its capital base.

The Italian bank narrowly averted failure last year, and its stack of subordinated debt was converted into equity as a condition of a multi-billion government bail-out.

The deal met with deep scepticism in some quarters.

"It's someone who is getting wheeled out of hospital signing up to the Olympics," said an analyst. "This pretty much sums up this credit market. They're selling capital - not funding - but capital. This bank basically blew up. It's a sign that the market is wide open."

It was a continuation of a theme from 2017, when blistering issuance conditions eased access for many of Europe's smaller and lower-rated lenders.

Leads took no chances, with 5.75% area IPTs among the highest for recent Tier 2 issues. That strategy paid off, with books of €2.5bn-plus (pre-rec) enabling pricing to be crunched to a final 5.375%.

"In normal conditions they would be pricing that much wider than they currently are," said Andrew Fraser, head of financial research, credit at Aberdeen Standard Investments. "But the fact they are able to get it done at all highlights some confidence the bank has been cleaned up successfully, and is a better going concern than it was 12 months ago."

The injection of capital from the government, which now owns 68% of the bank, helped push the bank's phased-in Common Equity Tier 1 ratio to 15.2%. A restructuring plan is now in place, including the securitisation of €26bn of non-performing exposures.

Even so, the response was a sure sign of the appetite for risk.

The yield offered a decent pick-up to other second-tier peripheral banks, reflecting the issuer's decision to leave something on the table to keep investors sweet ahead of further supply planned for this year.

Banco Comercial Portugues sold a €300m 4.5% 10NC5 Tier 2 (B3/B-/B+/BB) in November, bid last Thursday at 4.12%.

Among the Italian banks, Banco BPM's €500m 10NC5 (B2/BB) was trading around 4% while BPER Banca's €500m 5.125% 10NC5 (B1/BB-) was at 4.17%, according to Thomson Reuters.

A successful Tier 2 trade from Bank of Cyprus had demonstrated there is momentum in this sector, a lead said. That bank sold a €250m 10NC5 Tier 2 (rated Caa3) at 9.25% last January, since rallying to 6.12%.

"BMPS still has hurdles to jump in terms of their recovery, but investors are comfortable that there is a turnaround story," the lead said.

Goldman Sachs and *Mediobanca* were global coordinators, and joint bookrunners with *Bank of America Merrill Lynch*, *Barclays*, *JP Morgan*, *MPS Capital Services* and *UBS*.

Alice Gledhill

Ardagh prints its riskiest PIK bond yet

❱ Irish company raises US$350m to take advantage of strong demand

Packaging group ARDAGH sold its most aggressive type of debt yet on Thursday to fund a special dividend to its close group of shareholders amid strong demand for US junk bonds.

The company raised US$350m through a payment-in-kind note, a risky debt structure for investors that allows companies to add interest to the outstanding bond principal rather than pay cash. The bonds will be issued by a newly created holding company and be subordinated to all of Ardagh's existing debt, according to a copy of the offering memorandum seen by IFR.

Strong demand for junk bonds allowed Ardagh to price the five-year issue at a yield of 8.75%, inside initial whispers of 9.5%-10%.

Still, that is much higher than the 2.7%-5.9% available on Ardagh's other US dollar bonds, which include secured and unsecured notes sold by the operating company, Ardagh Group, and PIK toggle bonds issued by its holding company, ARD Finance.

Interest on those toggle bonds, however, can either be paid in cash or added to the principal and if the company opts for a payment in kind it offers a higher interest rate. That gives investors some compensation for the skipped cash payment.

Pure PIK notes like the new deal on offer have been relatively rare in the US junk bond market in recent years.

The deal is part of a broader plan to ultimately spin-off a "material part" of listed Ardagh Group to Irish billionaire Paul Coulson and other owners of ultimate parent ARD Holdings, according to an investor presentation seen by IFR.

Management expects to use a special dividend from Ardagh and a new PIK toggle issue to replace the newly issued PIK and the existing PIK toggles when they become callable in September 2019, according to the presentation.

Moody's, which assigned a Caa2 rating to the new issue, said that while leverage is high for its rating category, Ardagh's liquidity remains solid.

The group had €504m of cash on hand as of September 2017, and it also entered into an additional committed US$850m asset-backed revolving credit facility in December. It does not have any material debt maturities until June 2021.

Citigroup was the lead bookrunner on the bond, which will be issued by a newly created entity called ARD Securities Finance and will be secured against stock of ARD Finance. *Credit Suisse* was also involved in the bond sale.

Davide Scigliuzzo

Aussie majors rush back to bonds

Receptive global markets and reduced funding needs drive down wholesale costs

Australia's four major banks have locked in almost US$10bn of wholesale funding at tight spreads in the first two weeks of 2018, even though their borrowing requirements are declining.

AUSTRALIA AND NEW ZEALAND BANKING GROUP, COMMONWEALTH BANK OF AUSTRALIA, NATIONAL AUSTRALIA BANK and WESTPAC, all rated Aa3/AA-/AA-, are taking full advantage of the hot global backdrop with benchmark prints in the local and international markets at, or close to, post-financial-crisis tights.

Australian banks this year have already sold senior unsecured bonds in Australian dollars, US dollars and euros, as well as covered bonds in euros and sterling and subordinated bonds in US dollars.

The US$9.8bn flurry of issuance reflects strong market conditions and the depth of support for Australian credits, particularly in the US, rather than any urgent need for funding.

Deutsche Bank estimates that combined Australian bank issuance this year will total about A$100bn (US$78.5bn), of which more than 95% will come from major banks, well down from around A$130bn in 2017 and A$163bn in 2016. Others put the 2018 major bank funding target at A$110bn or slightly more, though this still represents a sharp decline from previous years.

"Record-low margins, obviously, spell good news as far as banks' bottom lines are concerned, but it is also frustrating that the lack of lending growth prevents them from fully exploiting such cheap wholesale borrowing costs," said a Sydney-based DCM desk head.

ANZ on Tuesday priced a A$3bn local benchmark, paying just 58bp over BBSW for three-year money and 77bp at five years – the lowest five-year spread since the global financial crisis.

CBA on Wednesday sold a €750m 10-year bond at 33bp over mid-swaps, having kicked off the year with a US$1.25bn 30-year bullet Tier 2 at 153bp over Treasuries on January 3.

Westpac on Thursday printed a £500m five-year sterling covered bond, less than a week after it raised €1.75bn in the euro covered market on January 4, paying 2bp over mid-swaps at seven years and 10bp at 15 years.

NAB raised US$2.5bn from a fixed and floating-rate issue in the senior unsecured market on Tuesday, including a three-year tranche at 53bp over Treasuries and a 5.25-year at 65bp.

Net new issuance, however, is likely to be curtailed by a slowdown in lending growth as the Australian housing market cools. Refinancing requirements are also limited after a glut of longer-dated offerings in recent years, in part due to regulatory pressure.

The Australian Prudential Regulatory Authority requires the country's 15 largest authorised deposit-taking institutions (mostly banks) to maintain a net stable funding ratio – a measure of deposits and longer-term funding over longer-term liabilities – of at least 100% as of 2018 and 105% as of 2020.

CLOSER TO CANADA

The reduced supply makes for some scarcity value to help Aussie bank offerings gain traction in the primary market, potentially improving pricing outcomes versus international peers.

"The holy grail for the Aussie majors is to get closer to their Canadian comps, which, though rated lower by some agencies, price and trade significantly tighter in the US, where investors take comfort from the latter's geographical proximity and, in some cases, local presence," said a local syndication manager.

On January 5, Bank of Nova Scotia (A1/A+/AA-) launched a US$1.5bn two-part three-year global bond, with the US$1bn 2.5% fixed-rate note pricing 48bp wide of Treasuries. This was 5bp tighter than the 53bp spread NAB paid for its US$900m 2.5% three-year 144A/Reg S note last Monday.

Canada's five major banks, unlike their Australian counterparts, are not seen as interchangeable credits, with Royal Bank of Canada (A1/AA-/AA) and Toronto-Dominion (Aa2/AA-/AA-) regarded as the strongest.

Looking at secondary levels, the syndication manager believes TD's three-year and five-year US dollar bonds will price about 10bp inside Australian major banks, though he sees some potential narrowing as the year progresses.

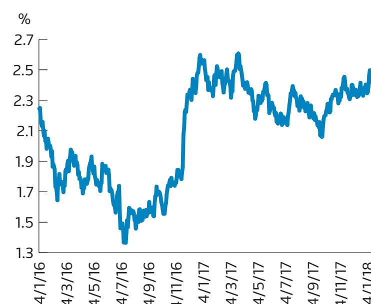
At current cross-currency swap levels, the syndicate banker sees the US market providing the tightest pricing at three years, the US and Australian markets about flat for the five-year segment, while the euro market is more compelling for seven years and beyond.

John Weavers

WEEK IN NUMBERS

2.59%

THE YIELD THAT 10-YEAR TREASURIES HIT LAST WEDNESDAY, A 13bp JUMP IN TWO DAYS AND THE HIGHEST LEVEL SINCE MARCH. THE YIELD SUBSEQUENTLY FELL LATER IN THE WEEK BUT IS STILL ABOVE 2.50%



333bp

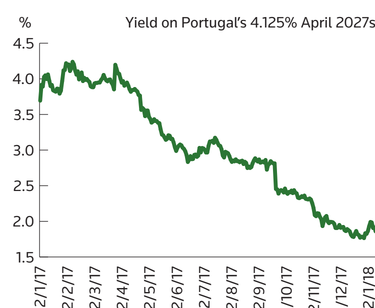
THE AVERAGE SPREAD ON US JUNK BONDS LAST TUESDAY, A POST CREDIT-CRISIS TIGHT, ACCORDING TO ICE BAML DATA

£102.9bn

THE AMOUNT OF LOANS MADE THROUGH THE BANK OF ENGLAND'S TERM FUNDING SCHEME. DRAWDOWNS FROM THE TFS WILL STOP AFTER FEBRUARY, WHICH SHOULD LEAD TO MORE UK BANK BOND SUPPLY

€18.85bn

THE AMOUNT OF ORDERS FOR PORTUGAL'S FIRST SYNDICATED BOND DEAL SINCE FITCH UPGRADED THE SOVEREIGN TO BBB MEANING IT HOLDS TWO INVESTMENT-GRADE RATINGS AGAIN. PORTUGAL SOLD A €4bn 2.125% OCTOBER 2028 BOND



188

THE DIFFERENCE BETWEEN GLOBAL DOWNGRADES (691) AND GLOBAL UPGRADES (503) BY S&P IN 2017, THE SMALLEST MARGIN IN FOUR YEARS

SSAR

US DOLLARS

ADB BUCKS FIVE-YEAR TREND, MUNIFIN CHOOSES FLOATING

ASIAN DEVELOPMENT BANK and **MUNICIPALITY FINANCE** offered some welcome diversification in the dollar market on Thursday after a week of heavy five-year supply.

ADB sold a US$3.75bn three-year and US$1.5bn 10-year Global, while Munifin priced a Reg S/144A US$500m three-year floater.

While the deepest pool of demand so far this year has been in the five-year part of the curve, bankers said there is confidence in other segments as well.

"There's a lot of central bank money that tends to be in shorter segments, as well as bank treasuries looking to buy," said a lead on ADB.

Goldman Sachs, *JP Morgan*, *Nomura* and *TD* priced the ADB tranches at swaps plus 1bp and 23bp, respectively. Books earlier in the session were seen at over US$5.6bn and US$2bn.

"We saw new-issue premiums for both at 2bp-3bp," said a second lead.

The first lead said ADB's three-year was attractive to investors compared with some deals at the tenor from late last year that lost orders due to their Libor-negative reoffers.

"The 10-year [Treasury] is fairly bullish after we saw it trading comfortably in the 2.45%-2.50% range. These are levels we haven't seen for some time and a good entry trade for buyers," said the lead of the longer bond.

He reckoned the three-year paid a concession of 2.5bp and the 10-year about 1bp-2bp.

Meanwhile Munifin opted for floating, pricing the US$500m no-grow at 5bp over three-month Libor. Marketing had started on Wednesday at 6bp area.

Books closed at more than US$600m, excluding joint lead manager orders, via *Bank of America Merrill Lynch*, *Deutsche Bank* and *RBC*.

"We saw some volatility in US Treasuries but that hasn't had a massive impact on the demand picture," said a lead on the Aa1/AA+ rated issue.

A second lead concurred, saying that "it isn't like it's moved 20bp", and noted that January is always busy and therefore largely unaffected by headlines in the news. He said the new-issue premium was 1bp.

"The EIB trade was a blowout and IDB was at the upper end of expectations. Yields have moved around in five-years but it's not been that bad, while swap spreads have been stable," said the first lead.

Inter-American Development Bank on Wednesday priced a US$3.75bn five-year at 11bp over swaps, equivalent to 15.7bp over Treasuries. Books were in excess of US$5.2bn.

KfW and EIB were out with US$5bn five-year Globals earlier in the week, following in the footsteps of Sweden's US$3bn and Kommunalbanken's US$1.5bn trades the previous week.

IDB AND KFW FOLLOW IN EIB'S SLIPSTREAM

INTER-AMERICAN DEVELOPMENT BANK sold a five-year benchmark tight to Treasuries, continuing the strong run in the SSA US dollar market since the beginning of January.

The Triple A rated issuer priced US$3.75bn at 11p area over mid-swaps (15.7bp over Treasuries) via *Bank of America Merrill Lynch*, *BMO*, *RBC* and *TD*.

Books were in excess of US$5.2bn - higher than IDB's first US dollar trade last year, a US$3bn deal that drew over US$3.75bn of demand.

ALL INTERNATIONAL BONDS (ALL CURRENCIES)
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Citigroup	39	11,350.37	6.1
2	Barclays	25	11,241.32	6.0
3	HSBC	36	11,103.06	5.9
4	BNP Paribas	22	10,213.70	5.5
5	Goldman Sachs	21	9,958.30	5.3
6	JP Morgan	29	9,707.96	5.2
7	UniCredit	20	8,874.69	4.7
8	UBS	18	8,519.19	4.5
9	Credit Agricole	17	8,435.72	4.5
10	Deutsche Bank	30	8,029.31	4.3
	Total	168	187,274.70	

Including Euro, foreign, global issues. Excluding equity-related debt, US Global ABS/MBS.

Source: Thomson Reuters SDC code: J1

ALL BONDS IN EUROS
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	UniCredit	18	7,127.82	8.7
2	Credit Agricole	14	6,809.45	8.3
3	Barclays	11	6,471.81	7.9
4	BNP Paribas	14	5,956.66	7.3
5	JP Morgan	11	5,001.87	6.1
6	UBS	9	4,860.63	5.9
7	Goldman Sachs	5	3,290.39	4.0
8	ING	7	3,091.37	3.8
9	Citigroup	11	3,034.20	3.7
10	SG	13	2,974.05	3.6
	Total	55	82,150.73	

Including Euro-preferreds. Excluding equity-related debt, US Global ABS/MBS.

Source: Thomson Reuters SDC code: N1

ALL US DOLLAR FIXED-RATE GLOBALS
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Goldman Sachs	3	2,627.66	14.3
2	HSBC	2	2,329.11	12.7
3	BNP Paribas	3	2,037.59	11.1
4	Citigroup	6	1,812.43	9.9
5	Deutsche Bank	3	1,532.12	8.3
6	BAML	4	1,424.95	7.8
7	TD Securities	3	1,146.59	6.2
=7	RBC	3	1,146.59	6.2
9	BMO	1	937.50	5.1
10	Lloyds Bank	2	508.08	2.8
	Total	9	18,361.70	

Excluding equity-related debt, ABS/MBS.

Source: Thomson Reuters SDC code: O5

EUROPEAN SOVEREIGN BOND AUCTION RESULTS WEEK ENDING JANUARY 11 2018

Pricing date	Issuer	Size	Coupon (%)	Maturity	Average Yield (%)	Bid-to-cover
Jan 9 2018	Netherlands	€1.89bn	0.00	Jan 15 2024	0.052	-
Jan 9 2018	Austria	€750m	0.50	Apr 20 2027	0.554	2.51
Jan 9 2018	Austria	€450m	1.50	Feb 20 2047	1.477	2.08
Jan 9 2018	UK	£2.25bn	1.25	Jul 22 2027	1.288	2.38
Jan 9 2018	Germany (i)	€500m	0.10	Apr 15 2046	-0.45	1.70
Jan 10 2018	Switzerland	SFr200.2m	3.25	Jun 27 2027	-0.159	1.70
Jan 10 2018	Switzerland	SFr95.3m	0.50	Jun 28 2045	0.337	2.58
Jan 10 2018	Germany	€4.026bn	0.50	Feb 15 2028	0.54	1.13
Jan 11 2018	Italy	€3bn	0.20	Oct 15 2020	0.04	1.54
Jan 11 2018	Italy	€3bn	1.45	Nov 15 2024	1.35	1.40
Jan 11 2018	UK	£2.25bn	1.75	Sep 7 2037	1.794	2.21

Source: IFR

"It is coming flat to the secondary bid side," said a lead during the marketing process. "Versus Treasuries, the asset swap was exactly 3bp apart. EIB was also about flat when it priced."

The transaction came on the back of a good response to the **EUROPEAN INVESTMENT BANK**'s five-year transaction, a US$5bn print that garnered over US$9bn in orders.

The first week of the year had already seen solid trades setting the pace. Sweden's US$3bn five-year attracted orders of more than US$7.5bn, followed by books of over US$2.5bn for another five-year, this time Kommunalbanken's US$1.25bn deal, while KommuneKredit's US$1bn three-year received US$1.65bn in demand.

"IDB is right on top of fair value," said a second lead. "It feels like there is a very conducive backdrop. We took comfort from the fact that EIB had such a large order book."

KFW was also out with a US$5bn five-year Global, setting the spread at 12bp over mid-swaps on books over US$6.7bn.

Demand for five-year paper in US dollars is strong, particularly among bank treasuries, as the segment offers the best value for investors, according to the first lead.

"Given how tight Libor levels are, there's a slight spread over the swap. The five-year provides a bit more of a spread pick-up."

The second lead said that while bank treasuries are the main buyers, central bankers are also participating - though they typically tend to have a stronger desire for three-year paper.

A third banker said that order books have been impressive so far this year.

ALL SOVEREIGN BONDS IN EUROS
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	Barclays	3	2,661.51	16.7
2	JP Morgan	2	2,162.42	13.5
=2	Credit Agricole	2	2,162.42	13.5
4	NatWest Markets	1	1,496.49	9.4
=4	Banca IMI	1	1,496.49	9.4
=4	ING	1	1,496.49	9.4
7	Citigroup	3	1,414.15	8.9
8	Goldman Sachs	2	915.07	5.7
9	Novo Banco	1	665.93	4.2
10	Santander Global Corp Bnk	1	499.09	3.1
	Total	**4**	**15,966.61**	

Excluding ABS/MBS.

Source: Thomson Reuters SDC code: N4

ALL EURODOLLAR STRAIGHTS
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	HSBC	15	3,990.85	9.1
2	Citigroup	14	3,838.00	8.7
3	JP Morgan	14	3,134.71	7.1
4	Morgan Stanley	13	3,087.10	7.0
5	Goldman Sachs	12	3,058.77	6.9
6	BAML	14	2,813.62	6.4
7	Deutsche Bank	11	2,146.43	4.9
8	Standard Chartered	7	1,975.30	4.5
9	Sumitomo Mitsui Finl	3	1,810.52	4.1
10	BMO	3	1,352.45	3.1
	Total	**45**	**44,092.82**	

Including Euromarket preferreds. Excluding equity-related debt.

Source: Thomson Reuters SDC code: J12

EUROS

INVESTORS POUR INTO ITALY, PORTUGAL DEALS

ITALY and **PORTUGAL** went head-to-head in the European bond market on Wednesday, in a blockbuster day for European public sector borrowers.

Investors poured more than €18.85bn of orders into Portugal's €4bn October 2028 trade and over €31bn into Italy's €9bn long 20-year deal, evidence of a high need for yield in the European sovereign space.

"There's been a convergence between the two names," said Anujeet Sareen, fixed income portfolio manager at Brandywine Global.

"Italy is more susceptible to political risk because of elections, whereas Portugal is now in a virtuous period with better economic growth and banking sector improvements."

Amid challenges of both Treasuries and Bund rates rising, the result showed that investors are willing to accept tighter pricing conditions in order to hold peripheral names.

For Portugal, it marked the return of the sovereign to the syndicated market, its having being absent for around a year.

ALL INTERNATIONAL US$ BONDS
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Citigroup	25	7,141.36	10.3
2	HSBC	19	7,104.93	10.2
3	Goldman Sachs	15	5,722.15	8.2
4	BAML	18	4,424.28	6.4
5	Deutsche Bank	15	4,180.76	6.0
6	Morgan Stanley	15	3,813.30	5.5
7	JP Morgan	17	3,450.74	5.0
8	BNP Paribas	8	3,072.82	4.4
9	Barclays	9	2,393.29	3.4
10	BMO	4	2,289.95	3.3
	Total	**64**	**69,425.48**	

Including Euro, foreign and global issues. Excluding equity-related debt, US Global ABS/MBS.

Source: Thomson Reuters SDC code: O1

It was also its first syndicated trade since a two-notch upgrade by Fitch at the end of last year, meaning that it carries investment-grade ratings from S&P and Fitch at BBB– and BBB, respectively, which are expected to broaden the sovereign's investor base.

"We're seeing more investors with medium to long-term perspectives," Ricardo Mourinho Felix, Portugal's Deputy Finance Minister, told IFR.

"Around one, one-and-a-half years ago, we were very much affected by volatility which penalised [volatility ratio] models and illiquidity. Now, more liquidity and stability are allowing these investors to participate."

Guidance was revised to 117bp area over mid-swaps, the tight end of the 120bp area IPTs, a marked improvement in pricing levels for Portugal, which priced its last 10-year syndicated trade at 352bp over mid-swaps.

As Portugal's curve is not that liquid, there have been large moves in secondaries in recent months as large investors have seen opportunities to buy.

Mourinho Felix said the new issue premium on its 10-year deal was very small and noted that a prudent debt management strategy allowed it to cut its cost of funding.

The sovereigns tends to issue in the five to 10-year segment.

Barclays, Citigroup, Credit Agricole, Goldman Sachs, JP Morgan and *Novo Banco* led the transaction.

Portugal came at the same time as the Republic of Italy, though the latter opted for a longer September 2038 tenor.

Andrew Belshaw, head of investment management at the Legg Mason affiliate Western Asset, said he was overweight Italy due to the ECB backstop and attractive relative valuation.

"Even as the ECB winds down asset purchases, most debt is held domestically or by the ECB and this will be recycled, which gives investors confidence," he said.

The Italy trade's final terms were 16bp over the 2.25% 2036 BTPs, after it was marketed in the high teens.

"We believe this is Italy's biggest order book ever and the distribution was high quality," said Lee Cumbes, head of public sector origination at Barclays.

He noted that investors returning to markets in January appear to be delighted to see a cheaper entry point in rates than was in place late last year.

"With a lot of redemptions, QE flows and low levels of supply in Q4, spreads were squeezed, but this has eased back gently in 2018, stimulating strong demand. Having been starved of yield, we now see keen buyers."

LOWER POLITICAL RISK

Italy was rumoured with the trade for many months in 2017, and bankers said it had to sell its bonds in January to avoid uncertainty around the general election on March 4.

"It is difficult to find equilibrium in peripheral bond market spreads. Italy remains attractive at these yield levels," said Jack Kelly, investment director, fixed income, at Aberdeen Standard Investments.

"While some tail risks remain, with political risk, [Italy] is not at the point where the dial moves enough towards spread widening. That is not to say that we could not see some sporadic widening in the pre-election period, but the base case is for spreads to remain benign."

The Five Star Movement has in recent weeks re-emphasised a more benign standpoint on EU membership and the monetary union, and the centre-right has improved in the polls.

The political change is unlikely to be extremely disruptive, according to Sareen, who said: "The eurosceptic parties don't really want to pull it out of Europe. The economic story is more powerful."

S&P upgraded the sovereign to BBB (stable) in October. Moody's has it at Baa2 (negative outlook), while Fitch has it at BBB (stable).

Banca IMI, *Barclays*, *ING*, *JP Morgan* and *NatWest Markets* were bookrunners.

World Bank and EIB reignite Canadian dollar market

SSAR SRI features offer added dimension

The **WORLD BANK** and the **EUROPEAN INVESTMENT BANK** last week brought the first non-domestic public-sector issues in Canadian dollars since 2016, taking advantage of improved funding costs in the currency.

Unlike euros and US dollars, which are at the heart of public-sector issuers' funding programmes, Canadian dollars are usually used more opportunistically, with funding costs an important part of the decision as to whether to access the market.

"We have been monitoring the market for an alignment of funding costs with our other markets," said Andrea Dore, head of funding at the World Bank, which brought its first issue in the currency in two years.

"Our reference is cost of funding in the US dollar market. In addition to the basis swap widening, domestic Canadian issuers' spreads have come in significantly, which helped align things up nicely."

The issuer printed a C$1bn (US$800m) 2.25% January 2023 in line with IPTs at 2bp over mid-swaps on books of over C$1.2bn. *Bank of America Merrill Lynch* and *BMO* led the deal.

The European Investment Bank followed with a C$700m 2.375% January 2023 at 5bp over mid-swaps via *CIBC, HSBC, RBC* and *TD*. Books closed near the C$800m mark.

"Last year, we had a huge amount of domestic Canadian issuance in the international market driven by the breakeven levels, but that's turned on its head, which means that Canadian dollars for international issuers is more attractive," said Kerr Finlayson, director of SSA debt syndicate at RBC.

"While issuers might not be beating their US dollar levels, it's still attractive and the market offers appealing diversification."

The pick-up of non-domestic names versus domestics is part of the appeal for Canadian investors. The two issues also offered decent margins over government bonds, World Bank coming at 37.4bp over and EIB at 40.15bp.

"We were so happy to attract some new investors we hadn't seen before in our bonds and very proud of the much larger than normal domestic placement," said Dore.

The success of the trade could lure other non-domestic issuers to the market, according to Finlayson.

"There is room for more issuers to look at that market, though we'll have to bear in mind the swap dynamics," he said.

"In the case of EIB, the market was fairly volatile and the swap was less advantageous, as a C$1bn cross-currency swap would have had a big impact."

ADDED DIMENSION

World Bank and EIB both opted for a sustainable angle for their trades. In the case of the World Bank, the sustainable development bond seeks to raise awareness for the empowerment of women and girls, while the EIB's trade was part of its Climate Awareness Bond programme.

"We started to issue smaller sustainable development bonds in 2015 but this is the first larger bond with that label that we've done," said Heike Reichelt, head of investor relations at the World Bank.

"It helps raise awareness around a broad range of issues and sectors. Gender equality is a goal that many investors are keen to support."

Achieving gender equality is one of 17 sustainable development goals and one of five key themes under Canada's 2018 presidency of the G7.

Helene Durand

KFW, EFSF GET ROARING RESPONSE

KFW priced a €5bn Global benchmark on Tuesday, putting to rest concerns that the 10-year part of the curve would prove tricky to navigate for some public sector issuers.

The deal, through *BNP Paribas*, *Commerzbank* and *Goldman Sachs*, drew books in excess of €11.4bn and came at 18bp through mid-swaps, 2bp inside the initial less 16bp area marketing level.

While deals at the tenor received a mixed reception at the beginning of the month – Ireland drew more than €14bn of orders for its €4bn bond but tickets for BNG fell short of €500m – KfW's transaction proved that investors are interested when a concession is involved, bankers said.

"The level is spot on," said a banker away from the deal.

KfW's €5bn 0.5% September 2027s, its last 10-year Global, were bid at swaps less 19.5bp pre-mandate, according to Tradeweb prices.

"It's a remarkable result. We were quite keen to see if markets are stable and whether they have finished the adjustment mode," said Petra Wehlert, head of capital markets at KfW.

"The spread over Bunds was 26bp, and in the 20bp area investors usually find the level attractive."

The deal could have benefited from Bund yields dropping in the second week of January as investors bought on the dip, another banker away noted.

"Although KfW is priced versus swaps, a lot of investors will be looking at Bund levels as it's a proxy."

The spread was in the mid-20s over the August 2027 Bund. For comparison, the September 2027s priced a little more than 22bp over governments.

The 10-year Bund yield dropped to 0.42% from as high as 0.47% on January 2.

KfW saw fair value at 19bp–19.5bp through swaps, starting at a 3bp new issue premium, before finally moving to 1bp–1.5bp.

The second banker said investors were responding well to maturities in the seven-year and 10-year segment, and even out to 15 years.

STRATEGIC APPROACH

Bankers had been following with interest whether KfW would decide to start the year in US dollars or euros.

"They have a strategic approach to both markets," said a lead. "The basis swap has deteriorated quite substantially, so the cost benefit of US dollars is less obvious than it used to be."

The 10-year euro/dollar swap has moved 3bp less negative since September and the five-year by some 5bp since November, according to Thomson Reuters data.

He said pricing was not the main consideration, however, as in the past KfW has also issued in euros when dollars were cheaper.

SWEET SPOT

The **EFSF** also garnered strong investor support, with books in excess of €13bn, excluding joint lead manager interest, allowing the leads to set final terms for a €6bn seven-year at 16bp through mid-swaps, 2bp tighter than initial guidance.

"It is always important to have a good start [to the year]," said Kalin Anev Janse, Secretary General at the ESM/EFSF.

"Based on investor feedback, a seven-year was the sweet spot, and it was a positive yield deal. Having raised €6bn out of the total of €14.5bn for the first quarter puts the EFSF in a comfortable position."

A lead banker said the new issue premium was around 2bp versus the curve.

"We had around 10.5bp pick-up over OATs, which doesn't happen very often, so it looked attractive against KfW and French government bonds," he said.

Barclays, *Credit Agricole* and *UniCredit* were joint lead managers on the Aa1/AA/AA rated deal.

DEXIA CREDIT LOCAL's €2bn seven-year priced at swaps flat on an ex-lead book of more than €3bn.

A lead estimated fair value at swaps less 1bp or 2bp.

The second banker said deals had started to include small premiums amid concern in markets around the ECB's reduced asset purchases.

The Dexia notes are rated Aa3/AA/AA- and are guaranteed by Belgium (51.41%), France (45.59%) and Luxembourg (3%).

ALL AGENCY BONDS IN EUROS
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	BNP Paribas	2	1,779.66	13.6
2	Commerzbank	1	1,654.82	12.7
=2	Goldman Sachs	1	1,654.82	12.7
4	JP Morgan	3	1,287.37	9.9
5	UniCredit	1	1,010.67	7.7
6	Citigroup	3	876.89	6.7
7	Davy Corp plc	1	663.79	5.1
=7	Morgan Stanley	1	663.79	5.1
=7	Nomura	1	663.79	5.1
=7	Danske Traelastkompagni	1	663.79	5.1
	Total	**8**	**13,066.93**	

Excluding equity-related debt. Including publicly owned institutions.

Source: Thomson Reuters SDC code: N6

LONGER MATURITY FOR BELGIUM?

While it was no surprise that Dexia was among the first movers last week, all eyes in the sector are now on **BELGIUM**.

Bankers had initially expected Belgium to come with a 10-year Green bond, but one said the kingdom could be considering a different maturity.

"They will probably go for a Green bond at the longer end of the curve or a regular 10-year. I'm not sure in which sequence," said the first banker.

Belgium in December hired BNP Paribas and Credit Agricole to advise on its debut green deal, and the kingdom could sell between €3bn and €5bn, with further issuance to follow.

Other sovereigns expected soon include Spain with a potential 10-year, and further ahead Greece is expected with a deal, potentially early next month.

EIB MAKES 30-YEAR STATEMENT

EUROPEAN INVESTMENT BANK priced a €2.5bn 30-year, the first SSA issuer this year to test the long end of the euro curve.

By coming in EARN – Euro Area Reference Note – format, the supranational made a strong statement to the market that it is further building its presence in the 30-year sector.

"We wanted to lengthen the EARN curve and saw value in having a bond in benchmark format," said Carlos Ferreira da Silva, the EIB's head of euro funding.

"This establishes a new reference point; it's important that you populate the curve."

He said the bank decided to issue last week as swap rates in the 30-year segment had risen, whereas at the end of December they had not yet gone over 1.50%, which investors had been asking for. The bond came at a level of 1.58%.

Last year, the EIB issued around the tenor but in smaller size via both its Climate Awareness Bond and ECoop programmes.

Leads *Barclays*, *Credit Agricole*, *Goldman Sachs* and *UniCredit* fixed the spread at 1bp over mid-swaps, unchanged from initial 1bp area guidance on final orders of some €3.15bn, including €200m of joint lead manager interest.

ALL SUPRANATIONAL BONDS IN EUROS
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	UniCredit	2	2,608.20	30.9
=1	Barclays	2	2,608.20	30.9
=1	Credit Agricole	2	2,608.20	30.9
4	Goldman Sachs	1	613.36	7.3
	Total	**2**	**8,437.97**	

Excluding ABS/MBS.

Source: Thomson Reuters SDC code: N5

The new issue premium was around 6bp, which Ferreira da Silva said was "absolutely" positive, as it was the same level as in 2005, when the EIB launched its first EARN 30-year.

"[The yield level] is very interesting for insurance firms and pension funds. The market hasn't seen long-dated in quite some time, and this is swaps-positive."

The EIB's €1bn November 2047 CAB was bid at swaps less 2.5bp on Thursday, cheapening from less 4.5bp bid-side quotes pre-mandate on Wednesday afternoon. Among other SSA names, EFSF May 2047s were plus 9bp and ESM November 2046s plus 1bp.

While the EIB has no plans for further issuance at the longer end under the EARN programme, Ferreira da Silva said it could do one or two smaller ECoop deals in the 15 to 20-year segment based on investor demand.

Last year, the EFSF was the market leader in terms of longer end issuance, with borrowing at 10 years and longer totalling €29bn, according to the issuer.

"There's more positive yield further out the curve, but it depends on the investor, who faces a conundrum. It could be tricky because the risk of capital is higher," said an investor.

STERLING

KFW, NIB SECURE TIGHT PRICING LEVELS

SSA issuers found solid demand for sterling paper last week, pricing in line with fair value as bank treasuries put cash to work.

KFW priced at 28bp over Gilts for a £1bn bond due December 2022 via leads *Bank of America Merrill Lynch*, *HSBC* and *NatWest Markets*, unchanged from guidance.

"We weren't expecting to get £1bn, but when we saw the final book size we decided to print our largest sterling deal, with hardly any new-issue premium," said Anna Scharffenberg, funding officer at KfW.

"At the beginning of the year, sterling markets were quite volatile versus our euro curve, but ultimately the economics made sense this week. We also had to monitor competing supply for this maturity."

Two weeks ago, FMS Wertmanagement sold a £500m September 2022 bond, while ADB opted for a £400m short five-year and the EIB tapped its December 2023s for £1.5bn.

A lead said that sterling looks "in line or better" than KfW's euro curve from the issuer's perspective.

"There's a lot of demand for two to six-year paper. The reason behind the four and five-years is that the spread is looking a bit more attractive to bank treasuries."

KfW's £1.05bn, 0.875% March 2022s were trading at 30.7bp over Gilts on Wednesday, according to Tradeweb. Last year, the issuer raised £5.2bn in sterling, out of a total of €77.3bn.

Investors had flexibility to buy different names, said the banker.

"ADB and NIB tend to be difficult names, but there were a lot of redemptions from December which hadn't been reinvested yet."

CASH SWIRLING AROUND

A lead for Triple A rated NORDIC INVESTMENT BANK said it was "very nice" getting the four-year deal to a size of £500m. At launch, the book size was in excess of £550m.

Last year, NIB started the year with a £250m four-year, and the year prior it sold a £250m three-year.

Leads *Citigroup*, *HSBC* and *Nomura* priced the issue at 28bp over Gilts, unchanged from guidance and initial price thoughts.

"There's a bit of a concession, but it's hard to say. It seemed just about right for investors. Another key factor was the spread to swaps, which was slightly positive," said the lead.

The first banker believed pricing was flat to fair value.

The main comparable, the World Bank's £300m 0.625% December 2023, was trading at 24bp over Gilts pre-mandate.

"There's just so much cash swirling around looking for a home in sterling SSA in January. It's a common trend across the years," said the second banker.

BANK NEDERLANDSE GEMEENTEN priced a £400m June 2022 at 41bp over the 4% March 2022 Gilt, unchanged from IPTs via *JP Morgan* and *RBC*.

NON-CORE CURRENCIES

DUO TAP FIVE-YEAR KAURI SWEET SPOT

ASIAN DEVELOPMENT BANK (Aaa/AAA/AAA) raised NZ$500m (US$363m) from a five-year Kauri bond via joint lead managers *ANZ*, *BNZ* and *TD Securities*.

The 3.0% January 17 2023, which had an indicative minimum issue size of NZ$200m, priced last Tuesday at 99.93086 for a yield of 3.015%, 34bp wide of mid-swaps and 63bp over the April 2023 NZGB.

The mid-swaps spread was 1bp tighter than the 35bp margin that fellow Triple A supranational Nordic Investment Bank paid on January 5 for its NZ$400m 3.0% five-year Kauri bond.

INTER-AMERICAN DEVELOPMENT BANK (Aaa/AAA/AAA) then matched ADB's mid-swaps spread with Friday's NZ$375m five-year Kauri print via joint lead managers *ANZ*, *CBA* and *TD Securities*.

The IDB 3.0% January 25 2023s priced at 99.732967 for a yield of 3.058%, 34bp over mid-swaps and 65.8bp wide of the April 2023 NZGB.

SSA KANGAROO SUPPLY APPROACHES A$1bn

Eight SSA issuers were active in the Kangaroo market last week, and while some of the offerings were rather small in size, they raised the best part of A$1bn (US$787m) between them.

First out of the blocks was Dutch public sector agency BANK NEDERLANDSE GEMEENTEN (Aaa/AAA/AA+), which issued a A$100m 10.5-year on Tuesday via joint lead managers *Deutsche Bank*, *Nomura* and *RBC Capital Markets*.

The 3.30% July 17 2028s came at a yield of 3.37%, 63bp wide of asset swaps and 70bp over the May 2028 ACGB. The size was doubled the following day at the same asset swap spread, which then equated to 70.25bp over ACGBs.

The same day, Norwegian local government funding agency KOMMUNALBANKEN, rated Aaa/AAA (Moody's/S&P), tapped its 4.50% April 17 2023s for A$300m to increase the issue size to A$850m.

Deutsche Bank and *TD Securities* were joint lead managers for the tap, which priced at 108.163 for a yield of 2.815%, 43bp wide of asset swaps and 44bp over the April 2023 ACGB.

On Thursday, Triple A rated EXPORT DEVELOPMENT CANADA added A$325m to its 2.70% October 24 2022 bond to lift the issue size to A$875m.

CBA, *Deutsche Bank* and *RBC Capital Markets* arranged the reopening, which priced at 99.931 for a yield of 2.715%, 32bp and 40.5bp wide of asset swaps and the July 2022 ACGB.

The rest of the week's supply was relatively small in size, the largest offering coming from the INTERNATIONAL FINANCE CORP (Aaa/AAA/AAA), which added A$50m to its 3.20% October 18 2027s last Friday, lifting the size of the line to A$600m.

The reopening, via sole lead *HSBC*, priced at 99.996 for a yield of 3.20%, 43bp and 50bp wide of asset swaps and the April 2027 ACGB.

Others tapping existing lines during the week were OESTERREICHISCHE KONTROLLBANK (A$25m August 2027s), MUNICIPALITY FINANCE (A$30m July 2027s), NRW.BANK (A$30m May 2028s) and INTER-AMERICAN DEVELOPMENT BANK (A$30m June 2032s).

AOFM TO SET UP 2029 LINE

The AUSTRALIAN OFFICE OF FINANCIAL MANAGEMENT has hired *Citigroup*, *CBA*, *Deutsche Bank* and *UBS* as joint lead managers for a new November 21 2029 bond due to price this week.

The AOFM has also announced the repurchase of three outstanding short-dated Treasury bonds.

Holders of the 3.25% October 21 2018s, 5.25% March 15 2019s and 2.75% October 21 2019s will be invited to submit offers for these lines, regardless of whether they want to participate in the November 21 2029 Treasury bond issue.

The AOFM's last syndicated sale was on October 17 with a A$2.1bn (US$1.66bn) tap of its 3.0% March 21 2047 Treasury bond.

The AOFM recently reduced to A$74bn from A$80bn its projected gross Treasury bond issuance for 2017-2018 in the federal government's updated economic and budget forecasts.

With A$31bn of maturing bonds and buybacks of around A$15bn, net issuance is estimated to be around A$28bn.

TASCORP REVIVES 2028 NOTE SALE

TASMANIAN PUBLIC FINANCE CORP, rated Aa2/AA+ (Moody's/S&P), has mandated *ANZ*, *CBA*, and *Deutsche Bank* as joint lead managers for an Australian dollar 10-year fixed-rate bond.

This appears to be a revival of Tascorp's planned issue of a February 2028 fixed-rate bond, mandated to ANZ and UBS in June 2016, but not launched.

Tascorp's last syndicated issue was on May 13 2016, when it tapped its 4.35% May 2 2046 bond for A$45m (US$35m).

CORPORATES

US DOLLARS

INVESTORS PILE IN FOR SEMPRA ENERGY BOND

SEMPRA ENERGY on Tuesday launched the first benchmark M&A investment-grade bond of the year, a US$5bn deal to help finance its acquisition of Texas power distributor Oncor.

Investors submitted US$22.5bn of orders for the trade before launch, according to a banker at one of the leads managing the deal for the California-based natural gas utility.

The strong demand allowed Sempra to tighten spreads by 15bp-27bp from IPTs to

launch and pay a new-issue concession of just 2.5bp-3bp on all five of the deal's fixed-rate tranches.

Sempra launched a US$500m two-year bond at Treasuries plus 50bp, a US$500m five-year at 65bp, a US$1bn 10-year at 93bp, a US$1bn 20-year at 98bp and a US$800m 30-year at 118bp.

The 20-year saw the most price progression. It tightened by up to 27bp from IPTs of Treasuries plus 120bp-125bp to launch at 98bp over, although the tranches still offered high enough yields to satisfy bond buyers.

"The 4% long-end yield is a magic number for investors," one investor told IFR.

The 30-year came with a 4% coupon at 98.654 for a yield of 4.078%.

PAY-DOWN OPTION

Sempra also launched a US$500m 1.5-year floater at three-month Libor plus 25bp and a US$700m 3NC1 floater at plus 50bp.

The latter is an unusual structure in the high-grade corporate bond market. Pharmacy benefit manager Express Scripts sold such a bond in November, but the format remains relatively rare.

It provides issuers with an option to call the bonds if interest rates spike. But in the current hot market conditions, issuers have to offer minimal premiums to sell such deals.

"Given the front-end outlook, the market is seeing increased demand for floaters - and investors are okay with this type of call structure," the investor said.

That flexibility may make sense for Sempra.

At US$5bn, the bond component of the funding for the Oncor acquisition may have been larger than some expected.

Sempra said in October it would fund almost two-thirds of the US$9.45bn acquisition with equity financing, or about US$6.1bn, with the remainder to come from debt.

But the company raised just US$4bn from a concurrent equity and equity-linked financing for the acquisition the week before last, and said in an SEC filing it would make up the difference and "repay indebtedness initially incurred" with cash on hand, the proceeds of asset sales and future stock sales.

Sempra announced it was buying Oncor in August, after majority owner Energy Future Holdings Corp abandoned a deal to sell the power transmission company to Warren Buffett's Berkshire Hathaway.

But it is not yet a done deal.

Sempra is waiting for final approval from the Public Utility Commission of Texas, which has rejected acquisitions by two previous suitors. But in December Sempra secured the support of key stakeholders for the purchase.

Barclays, *Morgan Stanley* and *RBC* were joint bookrunners on the bond offering.

TMCC DRIVES THROUGH WITH EASE

TOYOTA MOTOR CREDIT CORP's US$2.5bn five-parter drove through the market on Monday, pulling in a bumper book of over US$7bn before launch, a lead on the deal said.

Part of the reason for the big book was the company's 10-year tranche - a rare tenor for auto industry participants, which generally stick to the front end when issuing new bonds, another lead on the deal said.

"That was attractive for investors," he said. "It was something that fitted [Toyota's] needs."

Demand has been seen across the curve for new bonds, according to bankers, and TMCC did its best to satisfy this by issuing two and five-year tranches in addition to the 10-year.

It further diversified its investor base by offering both fixed and floating-rate paper in those maturities.

Spreads were crunched from IPTs to launch, with the US$750m two-year fixed coming at 29bp over Treasuries from early indications of 40bp area, the US$600m five-year at 43bp from 60bp area and the US$500m 10-year at 60bp from 80bp area. The US$400m two-year and US$250m five-year FRNs came at three-month Libor plus 10bp and 39bp, respectively. Final aggregate demand was heard at US$6.55bn.

By way of comparison, TMCC's 2.125% September 2022s were at a G-spread of 38bp and its 3.20% January 2027s at 54bp. Estimates were for a new issue concession of 3bp on the twos and fives and 4bp on the 10s.

Active bookrunners were *Bank of America Merrill Lynch*, *HSBC*, *Mizuho*, *Morgan Stanley* and *Societe Generale*.

EUROS

CORPORATES LOCK IN LONGER TENORS

Borrowers rushed to hit investors' hunger for yield in longer-dated offerings in a busy week for the European corporate market.

DEUTSCHE BAHN, which came with a €300m seven-year floater in late November, was back in the market with a 10-year euro benchmark at an eye-watering IPT level of 20bp area over mid-swaps.

At guidance, leads *Citigroup*, *ING*, *Mizuho* and *Societe Generale* shaved off another 7bp-10bp, before launching €1bn at 10bp over on books of €2.5bn.

"This is their largest deal in one tranche and their biggest book since 2009. Over 130 investors participated," a lead banker said.

Rated Aa1/AA- by Moody's/S&P, the German railway company is 100% owned by the state but not guaranteed. It also features green ratings from CDP, Oekom Research and Ecovadis.

ALL INTERNATIONAL STERLING BONDS EXCLUDING SECURITISATIONS
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total £(m)	Share (%)
1	HSBC	7	1,446.18	14.1
2	RBC	7	1,398.73	13.6
3	UBS	1	999.67	9.7
4	NatWest Markets	6	971.79	9.5
5	Barclays	5	823.06	8.0
6	Nomura	5	682.69	6.6
7	Lloyds Bank	3	560.83	5.5
8	Citigroup	3	424.09	4.1
9	Credit Suisse	3	394.17	3.8
10	Santander Global Corp Bnk	2	375.08	3.7
	Total	**16**	**10,272.82**	

Including preferreds. Excluding equity-related debt.

Source: Thomson Reuters SDC code: K05a

ALL INVESTMENT-GRADE BONDS IN EUROS
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	Credit Agricole	12	6,411.98	9.1
2	UniCredit	14	6,292.03	9.0
3	Barclays	8	6,000.89	8.5
4	BNP Paribas	11	5,244.82	7.5
5	JP Morgan	9	4,547.60	6.5
6	UBS	5	3,934.19	5.6
7	Goldman Sachs	4	3,183.25	4.5
8	Citigroup	11	3,034.20	4.3
9	ING	6	2,926.04	4.2
10	SG	11	2,472.67	3.5
	Total	**44**	**70,244.99**	

Excluding ABS/MBS, equity-related debt.

Source: Thomson Reuters SDC code: N9

ALL INV-GRADE US CORPORATE BONDS
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Morgan Stanley	4	2,170.33	21.2
2	HSBC	3	1,279.78	12.5
3	RBC	2	1,170.75	11.4
4	BAML	3	1,144.35	11.2
5	Barclays	1	1,108.87	10.8
6	SG	3	808.75	7.9
7	Citigroup	2	644.77	6.3
8	Mizuho	2	561.46	5.5
9	BBVA	1	373.08	3.6
10	Santander Global	1	124.53	1.2
	Total	**5**	**10,253.00**	

Excluding equity-related debt, ABS/MBS, all foreign issues, global issues and non corporates.

Source: Thomson Reuters SDC code: F6a

"It's one of those credits that gets both sets of investor bases excited, from the traditional investment-grade universe as well as SSA investors, across Europe but also Asia and Japan, who look at it as a pick-up to expensive rates products such as governments and agencies," said the banker, who estimated fair value around 3bp over swaps.

For the purposes of relative value, the lead preferred to look at the curve steepness of Nestle, Aa2/AA-, rather than Deutsche Bahn's outstandings, "which are extremely technical and illiquid".

Nestle's €750m November 2029s were quoted at 8.6bp over mid-swaps and its €500m February 2023s at minus 5.3bp on Thursday, according to Tradeweb.

A banker away looked at 10-year Bunds, which at the time were around 0.45%, and reckoned investors would want a 50bp pick-up versus those.

"Essentially, they're buying sovereign risk. That's why the 1% coupon is very important. If they'd gone longer, say 12 years, they could have priced at the same spread as the 10-year," he said.

CHEAPER OFFERINGS

Italian investment company **EXOR** was another 10-year benchmark trade on Wednesday, coming a lot cheaper than Deutsche Bahn, at swaps plus 95bp.

In its first outing for more than two years, the Triple B borrower garnered orders of over €1.5bn for its €500m CSPP-eligible paper, enabling leads *Citigroup*, *Deutsche Bank*, *Societe Generale* and *UniCredit* to tighten the spread by 20bp from IPTs.

"It's rare credit but not everybody likes holdco," a syndicate banker said early in the trade. "Nonetheless, it should appeal to a mixture of investors, especially smaller private banks, given the yield on offer."

The greater risk attached to holdco credit, which is subordinated to opco, means spreads usually look particularly attractive compared with other bonds.

Leads pointed to Exor's curve, including December 2022s at 39bp over swaps and October 2024s at 64bp, as well as peer JAB Holdings' May 2022s at 45bp and Wendel's February 2027s at 86bp, as comparables.

A banker away saw no concessions on both Exor and **REN FINANCE**, which came at plus 80bp on its €300m no-grow January 2028s, also 20bp inside IPTs, via *Barclays* and *Deutsche Bank*.

The Portuguese electricity grid operator ended its roadshow on Wednesday for an offering aimed at refinancing a recent purchase, a lead banker said.

In October, REN closed its €532m acquisition of EDP Energias de Portugal's natural gas distribution network. After the acquisition was first announced in April, Moody's maintained its Baa3 (stable) rating, saying REN had the ability to absorb the acquisition and maintain its financial profile.

REN last came to market in October 2016 with a €200m tap of its €300m 2.5% February 2025s at 135bp over swaps. The CSPP-eligible paper was trading at 62bp over on Thursday.

12 YEARS AND BEYOND

In its first trip to the euro market since March 2017, **ORANGE** came with January 2030s that priced 18bp inside IPTs at 37bp over mid-swaps.

Books reached around €2.6bn at the latest update, enabling leads *BNP Paribas*, *Credit Agricole*, *HSBC* and *Santander* to increase the indicated €750m-plus size at guidance to €1bn.

"There's not a huge amount of supply, rates are back up, the swap curve is steep and spreads are still tight, but investors can get a good amount of yield relative to what they could get three months ago. There's a bid for duration and 12 years is the right spot," a banker away said.

CreditSights analysts saw IPTs 5bp-10bp cheap to fair value, based on Orange and Deutsche Telekom secondary curves.

"At IPTs of mid-swaps plus 55bp, a yield of 1.60%, the new Orange issue is coming

Hybrid market wakes up

CORPORATES Engie breaks record, while Aroundtown celebrates upgrade

Two frequent borrowers went for hybrids on Wednesday, capitalising on the good performance of outstanding bonds in this sector and providing a welcome shot of supply.

French utility company **ENGIE** broke a new record with its €1bn perpetual non-call 5.25-year Green hybrid, which priced at a yield of 1.50%, 114.5bp over mid-swaps, and with a 1.375% coupon.

"It's a very aggressive pricing point. It's setting new lows in [European corporate] hybrid coupons," a banker away said.

The previous record was held by Danone, which late last year printed €1.25bn perpetual non-call June 2023s at a yield of 1.751% and with a 1.75% coupon.

Marketing on Engie's offering started at the 1.75% area, equivalent to 125bp over mid-swaps, according to bankers away, who saw fair value around 105bp. Guidance was at 1.50%-1.625% area, when books topped €1.8bn.

There was, however, some weakness in the secondary market on Friday, when Engie was spotted at 1.55%, according to Thomson Reuters. Danone, however, was at 1.70%.

"European rates have continued to slide a little, only 1bp or 2bp wider every day, but some of the hybrid bonds have suffered in terms of cash price terms," the banker away said.

Few Green hybrids have come to the market so far despite growing interest in this asset class as the number of dedicated Green and sustainable funds increases. Orsted, Iberdrola and TenneT are among the issuers to have sold Green hybrids prior to Engie.

"Green certainly took off in the second part of last year," said a second banker away.

"I'm sure Green will become more common for all aspects of funding, including senior, floating, hybrid, euro and sterling."

Barclays, *Bank of America Merrill Lynch*, *Credit Agricole* and *JP Morgan* were active bookrunners.

AROUNDTOWN, which S&P upgraded to BBB+ (stable) from BBB at the beginning of December, launched a €400m perpetual non-call six-year at 200bp over mid-swaps after IPTs of 220bp-225bp. The deal later priced with a coupon of 2.125%.

Orders reached €1bn at guidance but had dropped to €750m at the final spread, including €85m of joint lead manager interest.

Leads declined to comment on fair value but pointed to hybrids including the German REIT's January 2023s at 182bp over, Grand City's February 2022s at 172bp, and peer Vonovia's December 2021s at 126bp.

"Hybrid spreads have performed well in the last few months, partly related to a lack of supply," a syndicate banker said.

The last European corporate hybrid was Telefonica's €1bn perpetual non-call 5.5-year, which priced at 2.625% in early December, the lowest coupon ever achieved by that issuer for a hybrid. It was trading at 2.577% on Wednesday, according to Thomson Reuters.

Other recent issues have also performed well. Orsted's €500m 3017 NC2024, which priced at 2.375%, was bid at 2%, while Iberdrola's €1bn Green perpetual NC5.5-year, which came at 1.875%, was trading at 1.872%.

The iBoxx euro non-financials subordinated index closed at 1.927% on Tuesday, close to its all-time low.

Aroundtown, which mandated *Citigroup*, *Deutsche Bank*, *Morgan Stanley* and *Societe Generale*, has substantially increased its capital markets activities in recent years. Proceeds from the latest issue will further support its growth strategy, for refinancing and to repay existing debt.

Pauline Renaud

inside where the Deutsche Telekom 4.50% 30s are trading," the analysts said.

"However, with the large coupon and corresponding high cash price (132.50) on the DT bond, it is right that the new Orange issue should trade inside."

But Orange's February 2027s, which were quoted at 22bp over mid-swaps on Tuesday, and its high-coupon January 2033s, which were trading at 32bp over, suggested fair value around 27bp.

The banker away said that calculating fair value and new-issue premiums might be a moot point given that secondaries remain particularly tight.

"Should a 10-to-15-year curve be only 7bp? That sounds a bit too flat," he said. "But for the issuer, a 12-year trade at a 1.375% coupon is a very attractive number. If you look at their 33s, that's got a coupon of 8.125%. A 2027 last year paid a 1.50% coupon."

AUTOROUTES DU SUD DE LA FRANCE, rated A3/A- (both stable), also chose to lock in duration while the spreads are still relatively attractive, syndicate bankers said.

The 12-year paper extends the toll road company's curve and is one of the longest-dated bonds in the sector.

The level on the January 2030s moved 15bp inside IPTs for a final print of €1bn at 35bp over mid-swaps on orders of over €1.5bn, the tight end of guidance.

"I'd be disappointed if we ended up wider than Orange, although we have to be aware that it's a busy market," said one banker early in the trade.

Leads *BNP Paribas*, *Deutsche Bank*, *Mizuho*, *Natixis*, *NatWest Markets* and *SMBC Nikko* pegged fair value on ASF at 30bp in relation to its existing curve.

CSPP-eligible ASF printed a €1bn January 2027 note at 63bp over mid-swaps in January last year, which was quoted at 25bp over on Wednesday, according to Tradeweb. Its €500m April 2026, which priced at 52bp over in April, was quoted at 25.4bp over.

CreditSights analysts recommended passing on the ASF deal, saying that tightening of around 15bp would make the deal unattractive in relation to peers and the company's risk profile.

Also last week, AB INBEV included a €750m 17-year leg in its €4.25bn triple-tranche outing, which priced at 75bp over mid-swaps on orders of around €1.6bn (see separate story).

AB INBEV QUENCHES INVESTOR THIRST

AB INBEV was first out of the blocks on Tuesday, with a three-tranche benchmark consisting of a 6.25-year FRN alongside nine-year and 17-year fixed-rate legs.

With orders at the time exceeding €7.75bn, leads *BNP Paribas*, *Deutsche Bank*, *ING*, *MUFG*, *Santander* and *Societe Generale* set the sizes at €1.5bn, €2bn and €750m, respectively. Previously, the nine-year had been indicated as €1.5bn–€1.75bn and the 17-year as €750m–€1bn.

"I love that trade," a banker away said. "It's striking the right balance by locking in duration before rates move up and by taking advantage of where the deepest pockets of demand are with the FRN. If you're an investor, you should definitely buy their FRN."

An investor said longer-dated floaters make sense for people concerned about rate increases but did not think the AB InBev trade was of significant interest.

There was nonetheless plenty of demand for the trade, the global beer giant's first euro outing since a €13.25bn six-trancher in March 2016.

As part of that offering, the drinks company issued its longest-dated euro, a €2.75bn March 2036 at 170bp over swaps, which had rallied to 77bp on Tuesday.

Heineken is the only other European beverage company with a bond dated beyond 2026, a €500m May 2032 issued last year and quoted at plus 44bp.

At the final terms, spreads were 10bp-15bp inside the tight end of IPTs. In relation to AB InBev's euro curve and European drinks peers, CreditSights analysts saw fair value at swaps plus 30bp for the nines and plus 65bp for the 17s.

A banker away calculated concessions of around 12bp on the FRNs, which priced at three-month Euribor plus 30bp.

"It wouldn't make sense for them to go and do a single benchmark now. It doesn't fit with the scale of the business," a lead banker said.

While leads did not elaborate on use of proceeds beyond "general corporate purposes", the analysts highlighted that AB InBev has €2.35bn of bonds maturing in 2018.

"We do not view the re-entry of the company into the euro bond markets as signalling that management is less committed to the AB InBev deleveraging story," they said.

According to the analysts, treasury's refinancing of maturing debt "rather than applying surplus cash to repay amounts as they fall due looks to us like an opportunistic move to lock in terms in a market that still fully benefits from ECB support".

ENEL EATS AWAY AT SPREAD ON GREEN OFFERING

ENEL eroded the spread on its €1.25bn long eight-year, the first European corporate Green bond of the year, to print 18bp tighter than the swaps plus 65bp area IPTs.

The Italian energy company, Baa2/BBB+/BBB+, garnered orders of around €3.4bn for the September 2026s, which priced at 47bp over mid-swaps.

A banker away saw fair value at 42bp, while CreditSights analysts pegged it at 50bp-55bp, referencing Enel and Iberdrola's five-year to 10-year curves.

Leads spotted Enel September 2024s at 26bp over, June 2026s at plus 39bp and June 2027s at plus 49bp, suggesting fair value in the low 40s.

The outing comes a month after S&P raised its rating on Enel a notch to BBB+, saying that it saw its strategic plan as credit positive and expected the company to further improve credit metrics in the coming two years through Ebitda growth and debt stabilisation.

As part of a 2018-2020 strategic plan published in November, the company said it would continue to focus on renewable energy.

Proceeds from this issue will go towards Green projects, although a second banker away said the colour does not have a substantial impact in terms of pricing.

ALL US INVESTMENT GRADE CORPORATE DEBT (EXCLUDING SOLE SELF FUNDED DEALS)
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Morgan Stanley	14	5,242.15	11.0
2	Citigroup	15	4,654.09	9.8
3	BAML	16	4,087.58	8.6
4	JP Morgan	15	3,949.69	8.3
5	Goldman Sachs	11	3,627.16	7.6
6	HSBC	7	2,597.79	5.5
7	Barclays	6	2,491.63	5.2
8	Deutsche Bank	7	2,123.08	4.5
9	Mizuho	7	1,818.96	3.8
10	Credit Suisse	5	1,789.06	3.8
	Total	**30**	**47,611.32**	

Source: Thomson Reuters SDC code: F09a

ALL CORPORATE BONDS IN EUROS
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	BNP Paribas	7	1,848.78	12.6
2	UniCredit	6	1,653.07	11.3
3	BAML	5	1,501.05	10.2
4	Deutsche Bank	4	1,009.01	6.9
5	Santander Global Corp Bnk	2	953.35	6.5
6	SG	4	946.96	6.5
7	MUFG	2	891.92	6.1
8	JP Morgan	3	848.68	5.8
9	Credit Agricole	5	811.74	5.5
10	ING	2	807.73	5.5
	Total	**12**	**14,671.12**	

Excluding equity-related debt. FIGs, ABS/MBS.

Source: Thomson Reuters SDC code: N8

"We haven't seen a big differential in secondary spreads between Green bonds and Grey bonds. We know of a variety of investors who are very keen on buying Green issuance and they have funds dedicated to it, but it's a marginal element," he said.

Conversely, the banker saw ECB support for the name and the sector overall as having a greater impact on pricing.

"My only concern is to see 10 lead managers or so on the trade. When you've got two to three banks, every single bank will take full ownership of the transaction to make sure they drive the pricing as tight as possible, reaching out to investors as much as possible. But with 10 banks, it's easy for them to hide behind each other," he said early in the process.

Banca IMI, *BNP Paribas*, *HSBC*, *ING*, *Mediobanca*, *Natixis*, *SMBC Nikko*, *Societe Generale*, *UBI Banca* and *UniCredit* ran the trade alongside December's roadshow organisers *Credit Agricole* and *JP Morgan*.

DEMAND POURS IN FOR VONOVIA M&A FINANCING

VONOVIA wasted no time financing its €5.2bn purchase of Austrian peer Buwog, the German real estate investment trust taking advantage of ongoing favourable conditions for the sector.

Less than a month after the M&A announcement, Vonovia Finance, rated BBB+ stable by S&P, was out with a combined €1bn evenly split between six-year and 10-year legs.

Investors piled €4.25bn of orders into the no-grow trade, with both an investor and banker away reckoning that the outing looked attractively priced at the IPT stage.

Initially marketed at 60bp-65bp over swaps for the sixes and 85bp-90bp for the 10s, final pricing came in to 45bp and 70bp over.

The banker away saw IPTs 10bp-15bp back of fair value for the shorter tranche and 20bp back for the longer, saying that looked quite wide.

Nonetheless, "it doesn't feel like the frequent [issuance] nature of Vonovia has impacted their spreads", he said.

"They're still pretty tight and they've been very disciplined with size and price."

On Monday, Vonovia's €500m January 2022 was bid at swaps plus 26bp, having priced at 68bp last January, with its €500m September 2025s at 55bp from their plus 65bp August reoffer level.

The investor pegged fair value in the low 40s for the January 2024s and around 65bp for the January 2028s. He said the premiums on offer made up for Vonovia's frequent borrowing, which he saw as a negative.

Besides the new issues, the Buwog financing package also includes the rollover of €1.6bn of the Austrian REIT's existing debt and a €2.6bn bridge facility.

JP Morgan is sole global coordinator and *Bank of America Merrill Lynch* is joint bookrunner.

Against such an attractive backdrop, more REITs are expected to tap the market in 2018. These include Hammerson and Unibail-Rodamco, two shopping centre owners, which both announced acquisitions at the end of last year.

FCA SHOWS FRNS IN DEMAND

FCA BANK demonstrated that FRNs are still popular, garnering orders of €2.3bn, pre-reconciliation, for a €850m June 2021.

The issuer, rated Baa1/BBB/BBB+ (all stable), is a joint venture between Fiat Chrysler Automobiles and Credit Agricole Consumer Finance. It shaved 17bp off the IPTs, launching the paper at three-month Euribor plus 33bp through *Bank of America Merrill Lynch*, *Credit Agricole*, *Citigroup*, *Mediobanca* and *UniCredit*.

A banker away suggested that FRNs, especially longer-dated, are currently popular with investors as rates are expected to move up. However, one investor told IFR that a spread of plus 33bp was not attractive enough.

Last week, AB InBev also included a €1.5bn 6.25-year FRN tranche in its combined €4.25bn outing.

The week prior, Daimler priced through the curve with a €750m five-year floater that printed at a discount margin of 25bp, while RCI Banque's €750m five-year FRN came at 43bp over Euribor with a concession of around 2bp.

FCA Bank, a frequent issuer, last tapped the bond market in October last year with an €800m three-year that priced at 42bp over mid-swaps and was quoted at 21.5bp on Wednesday.

RARE ISSUERS IN THE PIPELINE

Two infrequent borrowers are looking to come to market in what is expected to be another busy week for corporates after €12.55bn of supply last week.

DWR CYMRU (WELSH WATER) is expected to bring the sector's first sterling trade of the year, having mandated *BNP Paribas*, *HSBC* and *Lloyds* for investor meetings that started on Friday.

The secured benchmark, with an expected maturity of 17 to 19 years, could hit screens as soon as Wednesday and would come more than a decade after its last nominal bond.

"The UK investor base understands the water utility sector very well. They like it, it's regulated," a lead banker said. "It's the best-rated water company from the UK at A2/A/A."

Severn Trent was the last such issuer to sell bonds, coming with a £250m no-grow five-year at 90bp over Gilts in late November.

UK water companies raised £2bn from five trades last year versus £700m from two bonds in 2016.

Moody's recently assigned or maintained negative outlooks on six UK water groups including Severn Trent, but excluding Dwr Cymru. Justifying its actions, the rating agency said the companies concerned are the most exposed to the likely cut in allowed returns from 2020, as guided by Ofwat in its methodology for the 2019 price review.

The other rare issuer expected soon is unrated tyre manufacturer **PIRELLI**, which is holding investor meetings in Europe from Monday via global coordinator *BNP Paribas*.

The deal, a euro benchmark with an expected maturity of between five and seven years, could come as soon as Friday.

"Bids for unrated names have clearly gone up in the last year so it will be interesting to see how this one goes," a banker away said.

Pirelli last tapped the market in November 2014 with a €600m five-year.

In March 2015, the company was bought by ChemChina, together with Camfin and LTI, in a €7.3bn deal before being delisted in November 2015. Two years later, it announced it would sell up to 40% of its equity in an IPO.

ALL CORPORATE BONDS IN STERLING
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total £(m)	Share (%)
1	NatWest Markets	1	40.00	20.0
=1	HSBC	1	40.00	20.0
=1	Barclays	1	40.00	20.0
=1	Credit Suisse	1	40.00	20.0
=1	Lloyds Bank	1	40.00	20.0
	Total	**1**	**200.00**	

Source: Thomson Reuters SDC code: N8a

ALL SWISS FRANC BONDS EXCLUDING SECURITISATIONS
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total SFr(m)	Share (%)
1	Credit Suisse	7	602.69	39.6
2	UBS	7	547.50	36.0
3	Raiffeisen Schweiz	3	236.87	15.6
4	ZKB	3	135.24	8.9
	Total	**8**	**1,522.30**	

Including preferreds. Excluding equity-related debt.
Source: Thomson Reuters SDC code: K06b

NON-CORE CURRENCIES

DAIMLER RETURNS TO PANDAS

DAIMLER has printed the first Panda notes of the year in China's interbank bond market, raising Rmb3bn (US$460m) from an offering of three-year notes.

The German car manufacturer privately placed the notes at par to yield 5.60%, inside an indicative range of 5.40%-5.90%.

A source familiar with the offering said the issuer came to market early in the year to take advantage of improved sentiment in the onshore market to meet its funding need before Lunar New Year, which falls in mid-February this year.

ICBC and *Bank of China* are arrangers on the issue.

Daimler previously tapped China's onshore renminbi bond market last November, when it printed Rmb4bn three-year notes at par to yield 5.45%.

MERCEDES-BENZ A/P PRINTS THREE-YEAR

Regular issuer MERCEDES-BENZ AUSTRALIA/PACIFIC (A2/A/A-) has issued another A$100m (US$79m) three-year Eurobond off its EMTN programme.

CBA and *TD Securities* were joint bookrunners for last Tuesday's 2.625% January 18 2021 print, priced at 99.645 for a yield of 2.75%, 59.1bp wide of mid-swaps.

The issuer sold a A$100m 2.625% three-year Eurobond on November 14 2017, priced 60bp wide of mid-swaps.

This followed two A$100m three-year Eurobond prints in June 2017 and November 2016 and a A$125m three-year Eurobond in August 2016.

FIG

US DOLLARS

INVESTORS HOLD OUT HOPE FOR US BANK SUPPLY

Investors hungry for FIG paper are hoping that issuance from US money-centre banks ramps up after blackout periods end, so they can put some money to work after two weeks of relatively light high-grade issuance.

Bank issuance has seen strong demand in the primary market across the board so far this year.

"Banks are really continuing to benefit from overall global growth," said Todd Schomberg, senior portfolio manager at Invesco. He said his team is positive on financials this year.

And after overseas banks were first out of the gate this year after blackouts, investors are next looking forward to issuance coming from US banks.

"A lot of financial deregulation is expected to take place this year, and a lot can be done without congressional approval," Schomberg said. "That could potentially free up US$2trn of balance sheet capacity, which will be beneficial for the corporate market."

But Yankee issuers were again to the fore last week, with France's second largest bank, BPCE, for example, finding investor demand of US$4.5bn for its US$1.7bn two-part preferred senior deal on Monday, according to a lead.

"It's a very constructive start to the year," one syndicate banker said. "We've left off from where we were last year."

SUPPLY MAY FALL

However, analysts are predicting that full-year supply from large US banks could disappoint in 2018.

Supply from BANK OF AMERICA, CITIGROUP, JP MORGAN, WELLS FARGO, GOLDMAN SACHS and MORGAN STANLEY, could decline as much as 10%-20% year-on-year, according to Wells Fargo analysts in a report Thursday.

The decline will likely be led by Bank of America, Goldman Sachs and Morgan Stanley, analysts wrote.

Meanwhile, BAML analysts predicted a 19% decline in senior issuance from large banks this year in a report on Wednesday.

Big US banks have already raised a lot of the debt needed to become TLAC-compliant by January 1 2019.

"Banks last year took advantage of very conducive market conditions to meet a lot of their TLAC requirements," said Pri de Silva, a senior analyst at CreditSights.

That could be bad news for investors, who have been disappointed by supply so far this year. According to IFR data, YTD high-grade issuance as of Thursday was just US$59.675bn, down from US$89.784bn at this time in 2017.

However, Wells Fargo said the expected full-year supply decline might not be as evident in the first half, given banks' pattern of front-loading issuance in the year.

"We're waiting for some real supply to hit," said Jason Shoup, senior portfolio manager at Legal & General Investment Management America.

LA MONDIALE OPENS INSURANCE SECTOR, MORE SUB AFOOT

The subordinated financials market is hotting up, with LA MONDIALE offering the first insurance deal last Friday and more bank capital just around the corner.

Covered and senior issuance dominated the first two weeks as usual, but Banca Monte dei Paschi claimed first blood in the sub space with a €750m 5.375% 10NC5 Tier 2 last Thursday. That bond was spotted by a lead at 101 on Friday, after pricing at par.

La Mondiale followed with a US$310m 30NC10 Tier 2 (BBB by S&P) at 4.80%. IPTs were at 5% area via leads *Credit Suisse* and *Deutsche Bank*. Books passed US$600m on the Reg S deal.

Investor meetings started last Friday for an IKB DEUTSCHE INDUSTRIEBANK unrated sub-benchmark euro 10NC5, while the AT1 space is also ripe for supply.

"The backdrop is still as stable as ever," said a banker. "Even though proper high-yield has weakened, I still think the demand for AT1 remains pretty good."

The iBoxx euro liquid high-yield index was quoted at 2.72% last Thursday, up from 2.10% in early November, according to Thomson Reuters data. However, the Bank of America Merrill Lynch CoCo index was close to its all-time low, at 4.54%.

SUMITOMO DUO RIDE FLUSH US LIQUIDITY

SUMITOMO MITSUI FINANCIAL GROUP has priced US$500m of five-year floating-rate notes at three-month US dollar Libor plus 74bp, US$750m of 10-year bonds at Treasuries plus 100bp and US$1.5bn of five-year paper at Treasuries plus 78bp. All three tranches are TLAC-eligible.

Pricing was aggressively tightened on the five-year fixed-rate bonds, after being marketed at initial thoughts of 95bp–100bp before guidance was announced in the 80bp area.

"We believe that is the tightest Japanese five-year TLAC in US dollars," said Masanori Kato, head of DCM at JP Morgan Securities Japan. "It reflects the extension of risk appetite. There was very little premium paid over the opco and it shows that US investors continue to seek exposure to Japanese TLAC."

The SEC-registered bonds were first marketed at initial price thoughts of the equivalent spread over Libor and Treasuries plus 95bp–100bp for the five-year tranches, and Treasuries plus 115bp area for the 10-year.

The senior unsecured SEC-registered benchmark notes are expected to be rated A1/A– (Moody's/S&P).

SUMITOMO MITSUI BANKING CORP also sold US$750m of two-year floaters at three-month Libor plus 35bp and US$1.25bn of two-year fixed-rate bonds at Treasuries plus 55bp. Initial price thoughts for those tranches were Treasuries plus 70bp area and the Libor equivalent, respectively.

The senior unsecured 3(a)(2) benchmark notes are expected to be rated A1/A (Moody's/S&P).

SMBC Nikko, *Goldman Sachs*, *Citigroup* and *JP Morgan* were active bookrunners on both offerings.

NAB OPENS 2018 US DOLLAR ACCOUNT

NATIONAL AUSTRALIA BANK (Aa3/AA–/AA–) kicked off its 2018 funding calendar last Monday with a US$2.5bn four-part print, also the first senior unsecured US dollar issue for an Aussie credit this year.

NAB sold US$900m of 2.5% three-year and US$500m of 2.875% 5.25-year 3(a)(2) fixed-rate notes at 53bp and 65bp over Treasuries, inside 65bp area and high 70s initial price thoughts, respectively.

The bank priced US$600m of three-year and US$500m of 5.25-year 144A/Reg S floating-rate notes at 35bp and 60bp over three-month US Libor, respectively.

Citigroup, *Credit Suisse*, *HSBC*, *Morgan Stanley* and the issuer's own syndication team were joint lead managers on the trade, which garnered a combined order book of US$4.7bn.

Such demand allowed the leads to sell the three-year and 5.25-year notes with modest respective new issue concessions of 2bp and 3bp versus NAB's 2.5% May 22 2022s.

EUROS

UNICREDIT TAKES SIZE AND PRICE WITH FIRST ITALIAN SNP

UNICREDIT offered the first senior non-preferred supply out of Italy, a highly anticipated €1.5bn five-year that lays a strong foundation for future Italian issuance and further diversifies the growing asset class.

UniCredit, which outlined a €6bn SNP target at the end of 2017, stuck to its home currency for its debut transaction.

The January 2023 (Baa3/BBB-/BBB) priced at swaps plus 70bp, through where one investor saw fair value in the mid-70s, after the €4.25bn-plus book allowed leads to wipe out much of the initial concession. It was bid at 68.7bp last Friday.

Italy is the second southern European country, after Spain, to start issuing SNP, a new asset class that the French banks pioneered in late 2016 to bolster their loss-absorbing capacity.

The response was a clear sign that investors welcome a new jurisdiction in this sector, particularly from a peripheral issuer after much of the value in the earliest deals vanished.

Societe Generale's €1bn 1% April 2022 was among the first wave of deals, for example, rallying from swaps plus 90bp in December 2016 to 25bp on Thursday, according to Tradeweb.

"High 80s IPTs for what is a big global bank - that's something you're supposed to buy," said a banker away from the UniCredit deal.

SNP and holdco debt from other national champions trade considerably tighter: RBS's €1.25bn 2% March 2023s are bid around 50bp, for example, while Santander's €1.25bn 1.125% seven-year SNP, two years longer, priced at 60bp last Tuesday.

Investors have become increasingly familiar with the asset class, with €27bn issued in the single currency in 2017. UniCredit is also benefiting from its transformation under CEO Jean Pierre Mustier, and typically enjoys strong support from its domestic investor base.

"I thought pricing was very sensible," the banker said. "That all adds up to a very good deal."

Italian banks have hit the market hard ahead of their national election on March 4. BMPS priced its first Tier 2 in five years last Thursday following recent covereds from UBI and Cariparma, and dollar senior from Intesa Sanpaolo.

The temptation for investors to lighten up on bonds ahead of a major national election can be strong, as seen in the case of France last year, where there was an early surge of support for Marine Le Pen's National Front. However, it can be difficult to get those bonds back if the status quo is maintained.

Despite the political wranglings in Italy, one investor downplayed the risk of the country leaving the European Union or the outcome threatening the recent improvements in its banking sector. The fact that Intesa is attempting to accelerate its NPL reduction is another positive sign.

"Yes, [the election] has the potential to cause volatility, but I would see any weakness in that run-up period as a buying opportunity," the investor said.

ING, *JP Morgan*, *Santander*, *Societe Generale*, *UBS* and *UniCredit* were bookrunners.

POCKETS OF DEMAND EMERGE IN VARIED SENIOR MARKET

Senior unsecured investors were spoilt for choice last week as a gamut of banks poured into the asset class, though clear pockets of demand emerged for different formats and geographies.

BANQUE FEDERATIVE DU CREDIT MUTUEL, CAIXABANK and COMMONWEALTH BANK OF AUSTRALIA were among those to take advantage of strong conditions after a slow start for euro senior last week, with deals proving largely impervious to rates volatility.

Nine issuers raised €10.4bn in preferred and non-preferred, up €4.25bn from last week, including a €1.5bn UNICREDIT five-year (Baa3/BBB-/BBB) - the first Italian SNP.

"You continue to see very strong demand for new issues and there is clearly appetite for risk across the curve," said one syndicate official.

"It feels after two weeks that we're starting this year very much the way we ended last year."

Issuers are clearly making hay while the sun shines. LLOYDS, for example, returned with its third major currency deal of the year to take €1.5bn of holdco funding (A3/BBB+/A+), while BANCO SANTANDER sold its second senior non-preferred euro, a €1.25bn seven-year (Baa1/BBB+/A-).

It pulled in more than €2.25bn-plus of demand at swaps plus 60bp, a sign of the market's good health given expectations of

ALL FINANCIAL INSTITUTION BONDS IN EUROS
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	UBS	5	3,934.19	32.1
2	BNP Paribas	2	1,616.38	13.2
3	Lloyds Bank	1	1,493.59	12.2
4	NatWest Markets	2	622.30	5.1
5	HSBC	3	522.24	4.3
6	UniCredit	2	498.59	4.1
=6	Santander Global Corp Bnk	2	498.59	4.1
8	SG	2	448.25	3.7
9	Credit Suisse	2	384.36	3.1
10	Deutsche Bank	2	298.53	2.4
	Total	10	12,267.87	

Including banks, insurance companies and finance companies. Excluding equity-related and covered bonds. Excluding publicly owned institutions.

Source: Thomson Reuters SDC code: N11

ALL SUBORDINATED FINANCIAL INSTITUTION BONDS (ALL CURRENCIES)
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Goldman Sachs	3	741.40	20.3
=1	UBS	3	741.40	20.3
3	BAML	2	428.90	11.7
4	CBA	1	312.50	8.6
=4	Citigroup	1	312.50	8.6
6	BNP Paribas	1	300.00	8.2
=6	Lloyds Bank	1	300.00	8.2
8	Mediobanca	1	128.90	3.5
=8	Barclays	1	128.90	3.5
=8	JP Morgan	1	128.90	3.5
	Total	3	3,652.33	

Source: Thomson Reuters SDC code: J3a

Deutsche defies shareholder grumblings in debt market

■ FINANCIALS First fundraising hot on heels of profit warning

DEUTSCHE BANK's shareholders might be losing patience after it warned of a third consecutive annual loss in 2017, but the lender found plenty of demand among fixed income investors to raise almost €3bn-equivalent of senior debt.

With the profit warning on January 5 behind it, Deutsche promptly announced its first stab at tackling a €30bn funding programme - three and 10-year euros, alongside a long three-year sterling.

It reeled in demand with attractive initial price thoughts, crunching the levels by 10bp-15bp but dividing opinion on the final concessions.

Deutsche was active across funding markets last year, raising Yankee senior in July and November, for example, but had not sold a fixed-rate euro senior benchmark since last January.

It has been on the watch list for many fixed income investors in recent years, particularly in early 2016 when its subordinated debt sold off over fears it had insufficient cash to pay coupons on its AT1 capital.

The bank has not raised AT1 since, and is unlikely to do so without an increase in its Available Distributable Items, out of which AT1 coupons are paid.

Several investors highlighted their concerns about the core business and profitability. One said the bank still looks wide in senior, reflecting those concerns despite a notable recovery in its trading levels.

But the balance sheet is relatively sound, and very liquid, he said. Its bonds held steady in the wake of the profit warning.

Deutsche went on to price a €1.25bn January 2021 at swaps plus 40bp and a €1.25bn January 2028 at 95bp on books of €1.8bn and €2.25bn, respectively.

"In terms of our credit and how the market views us, it's a lot more constructive" said Peter Diamond, head of supranationals, sovereigns and agencies (SSA) at Deutsche, who worked on the trade.

"Once the ad hoc came, everything was out there and it was time to re-engage with the market. All the big real money guys were in and were very keen to participate. That doesn't strike me as a big credit concern."

DIVIDED OPINION

Several bankers reckoned initial price thoughts for the 10s looked generous at 110bp area, putting the starting concession at 30bp. Deutsche's March 2025s were trading around 60bp pre-announcement, according to Tradeweb.

"I thought it was very cheap," said one. "It wasn't a small trade, but it's not a statement trade. I think unfortunately it confirms people still don't like the name."

Deutsche Bank, however, saw fair value for that tranche at 90bp, arguing it has a steeper curve than some of its peers. Nor did the bond race tighter in secondary as might be expected had it been excessively cheap, opening at 93.5bp last Friday. The January 2021s were bid at 42bp.

"We saw it starting 25bp-30bp back, which is good value for senior, but it's the appropriate thing to do to make sure you get the momentum and demand," said a second banker away from the deal.

The bank also sold a £300m December 2021 at Gilts plus 120bp, drawing £350m in orders to take advantage of attractive levels in that market. The bank has sterling needs but those are naturally limited compared to the UK banks, for example.

"The sterling was quite curious; that market can be a little bit fickle, and that showed to some extent there," the second banker said.

"It's still a very respectable benchmark. Some sterling investors may have focused more on the euro deal, with more liquidity and more room for performance."

Alice Gledhill

substantial further Santander SNP supply - the bank is grappling with one of the largest shortfalls in loss-absorbing capacity.

UniCredit drew the week's largest book by far, however - €4.1bn at the 70bp reoffer level. That is the widest spread for five-year paper among the major European lenders and a boon for investors who have watched much of the value sucked out of other SNP securities.

CaixaBank returned to senior preferred having issued its inaugural SNP last year, reflecting its limited need to top up loss-absorbing debt capacity and the fact that a €1bn 3.125% senior preferred is due in May.

"Net interest margin is a focus for CFOs; people have needs but they don't have them all today … if they can save 25bp by doing the preferred transaction, that's sensible I think," the banker said.

TECHNICAL ASPECT

The reception for CBA's €750m January 2028 (Aa3/AA-/AA-) highlighted that there is only so much demand around for deals with tight spreads.

Its €1.2bn-plus book looked lacklustre by comparison with UniCredit or Santander, but 10-years at swaps plus 33bp - where the deal priced - appeals to a smaller pool of investors.

That is the main hurdle for Aussie banks, bankers said, though concerns around the housing market and exposure to China persist. It is a similar story for Scandinavian seniors, which also trade at eye-wateringly low spreads and inevitably often find less traction in primary.

But French and German insurance accounts buy 10-year paper with Double A ratings for the absolute yield rather than the spread. That particular pocket of demand helps explain why some of the Australian bank curves are inverted.

Leads on CBA tightened from IPTs of swaps plus low 40s, settling 4bp to 5bp above the estimated high 20s fair value level. The bond was bid at 26bp over by last Friday afternoon.

"I think it's an optically high new-issue concession as the long-end secondary trades very tight because those companies that buy never sell, but I think it was the right level to come at," the banker said.

ISLANDSBANKI FINE-TUNES FUNDING WITH CALLABLE SENIOR

ISLANDSBANKI brought a callable senior opco trade last Friday, a format other banks could emulate to optimise their funding under newly implemented global liquidity rules.

The Icelandic bank generated a book of over €1.2bn from 121 investors for the €300m no-grow six-year non-call five trade.

That allowed leads *Goldman Sachs*, *JP Morgan* and *Nomura* to price at mid-swaps plus 75bp, 15bp inside the 90bp area IPTs.

The trade was the longest dated and most tightly priced benchmark bond from an Icelandic financial institution since 2008.

"There are two reasons banks would do callables: there are TLAC benefits, but there are also NSFR benefits," said a lead.

US banks pioneered the use of senior callables in 2016 as a way of addressing the reduction in regulatory value as total loss-absorbing capacity bonds approach maturity - by redeeming early, issuers can save paying interest on debt that provides no regulatory benefit.

TLAC rules only apply to the world's largest banks, but smaller lenders have had to meet the net stable funding ratio from January 1.

The NSFR limits over-reliance on short-term wholesale funding, requiring banks to fund activities with sufficiently stable sources to mitigate the risk of future funding stress.

"The benefit a five-year bullet gets under the NSFR falls from 100% to 50% one year before maturity," a lead said.

"This falls to zero six months before maturity, and in addition to this, in the last month before maturity, you have to hold a large amount of liquid assets against it. So, a normal bullet is very inefficient in the last year."

The one-year call gives issuers the option to redeem before the bond starts losing eligibility under the NSFR.

"We will see more banks do that," said the lead. "It depends on a jurisdiction-by-jurisdiction basis, but broadly, I would expect more supply."

Just like callable TLAC holdco bonds, however, there is a premium to pay.

Fair value was estimated in the low-to-mid 60s for a five-year bullet, with some 5bp added for the extension and 5bp for the scalability, with the lead putting the final concession in the 0bp-2bp range.

The ability to sell a sub-benchmark bond with a slightly exotic structure was testament to the Icelandic bank recovery story.

"Icelandic banks are on a fantastic trajectory; they've been upgraded twice since the first deals came back to market," said the lead.

"They still offer spread in a world when there's really not much on offer. They are smaller than other core European banks but Iceland as a jurisdiction is doing very well."

STERLING

BARCLAYS BAGS THIRD DEAL IN PIVOTAL YEAR FOR UK BANKS

BARCLAYS picked sterling to continue its MREL issuance campaign last Monday, with its third deal of 2018, in what is expected to be a busy year for UK bank funding.

The dual-tranche trade (Baa2/BBB/A) comprised a £1.25bn 3.25% 15-year and a £250m tap of its 3.125% January 2024s, extending the duration of its loss-absorbing debt in its home currency.

It followed a £1.25bn five-year covered FRN and US$3bn of short-dated opco dollar funding the previous week, a sign of Barclays' eagerness to beat competing supply in what is typically the year's busiest month.

Barclays raised sterling holdco senior as recently as September, a £1bn October 2023 at Gilts plus 165bp. This market's evolution, however, has proved volume is there, helping it shake off its notoriously fickle reputation.

"Sterling has come of age in the past year," said Miray Muminoglu, head of group capital markets execution at Barclays Treasury. "In the past, you'd never have thought about doing deals in excess of £1bn. Now we are demonstrating that actually you can do those."

Barclays is not the only UK lender to dive headfirst into the debt market this year. **LLOYDS** entered the euro senior market last Monday, having already notched up two deals in 2018, while Santander UK has also bagged three major-currency transactions.

NORMALISED NEEDS

Bankers are expecting an uplift in UK bank supply in 2018 after around £54.5bn-equivalent of issuance last year.

That is partly because drawdowns from the Bank of England's Term Funding Scheme are only permitted until the end of February. Launched in September 2016 to support domestic lending, loans made through the scheme have reached £102.9bn.

Lloyds, for example, made regular appearances in the bond market last year but is likely to be more prevalent in 2018 as it returns to business as usual after borrowing £20bn under the TFS.

"The market expects issuers to have more normalised funding requirements this year, so we're making the most of the positive issuance window that has greeted us in early 2018," said Peter Green, head of public-senior funding and covered bonds at Lloyds.

The bank sold a €1.25bn six-year non-call five holdco senior (A3/BBB+/A+) at mid-swaps plus 47bp, drawing around €2bn in orders. It increased the 10-year sold last September by €250m at swaps plus 60bp, taking the outstanding to €1bn. Books for that tranche were around €375m.

ENTERING THE RING

But TFS is only one factor that UK issuers must grapple with this year. Although bankers say fewer investors are voicing concerns around Brexit during the execution of UK trades, the political backdrop remains volatile.

Green remains reasonably constructive on the market but said the risk/reward is probably still skewed towards spreads widening.

"It's better to have the certainty of cash in the door than just assume the market is always going to be there at these levels," he said.

And while UK banks had the luxury of early regulatory clarity with regard to their MREL-eligible instruments and targets, competing supply from Europe is due to tick up this year.

"You can never ignore negative carry, but if the market is there at attractive spreads and you can de-risk your MREL build-out, I think it's quite a compelling thing to look at," said Muminoglu.

This year is also likely to see the first issuance from the UK ring-fenced entities set up to comply with new rules forcing lenders to separate their retail banking operations from their investment banking services.

Barclays Bank UK PLC, the new ring-fenced entity, is expected to be in place from April 2018. It is unlikely to issue senior given that the group will downstream unsecured debt to meet its internal MREL requirements, but it will issue secured funding from this entity.

NON-CORE CURRENCIES

WESTPAC PRICES FIRST DIM SUM

WESTPAC BANKING CORPORATION (Aa3/AA-/AA-) has printed the year's first Dim Sum bonds, with *Standard Chartered Bank* as arranger and lead manager.

The Australian major bank priced the three-year notes at par to yield 4.35%, flat to final guidance.

A source familiar with the print said it saved the issuer 5bp-10bp, compared with raising funds via US dollar bonds.

Moody's is expected to rate the bonds Aa3.

ANZ SETS LOCAL BENCHMARKS

AUSTRALIA AND NEW ZEALAND BANKING GROUP (Aa3/AA-AA-) reopened the local bond market last Tuesday with a A$3bn (US$2.35bn) three-part sale of three-year and five-year senior unsecured bonds. The issue extended last year's steady spread-narrowing trend.

The self-led issue attracted an order book of A$4.4bn, allowing the A$1.25bn three-year and A$1.325bn five-year floating-rate notes to print inside 60bp area and 80bp area guidance at three-month BBSW plus 58bp and 77bp, respectively.

The A$425m 3.10% fixed-rate five-year note priced at 99.862 for a yield of 3.13%, 77bp over asset swaps.

The five-year margin is the tightest since the global financial crisis and a far cry from the 111bp spread that Commonwealth Bank of Australia paid a year ago for its A$2.625bn five-year dual-trancher.

The margin on the three-year notes is the second lowest since the crisis, behind only the 53bp spread for a A$1bn FRN, also from ANZ, on May 22 2014.

More recent comparables include the A$2.4bn two-part three-year notes on July 25 last year, priced at 62bp over three-month BBSW and asset swaps. On November 3 2017, NAB sold A$2.25bn of 5.25-year notes at 80bp over.

ASB BANK READIES FLOATER

ASB BANK (A1/AA-/AA-) has mandated parent *Commonwealth Bank of Australia* for a three-year New Zealand dollar floating-rate note offering.

The last of New Zealand's identically rated major banks to issue a three-year floater was ANZ Bank New Zealand on December 15 last year. The NZ$375m (US$270m) December 21 2020s priced at three-month BKBM plus 73bp.

COVERED BONDS

EUROS

COVERED BOND DUCK CONTINUES TO QUACK

Smaller order books and unconvincing secondary performances are unlikely to knock the primary covered market off course, bankers said last week, with issuance expected to continue at pace.

Supply last week took year-to-date volumes to just over €16.5bn versus the €18.5bn issued during the same period last year. But while some deals went without a hitch, achieving size and pricing ambitions, this was not the case for all.

A two-part 6.5 and 12-year trade from UBI BANCA could not progress beyond the mid-swaps plus 10bp area and 30bp area starting guidance, and that for benchmark-minimum €500m tranche sizes too (see separate story).

It was not just peripheral banks experiencing pushback, with NORD/LB choosing size over price for a €1bn 10-year - the German bank's largest ever covered.

The trade printed at 8bp through mid-swaps, unable to hit the tight end of the less 8bp area (+/-1bp) guidance range.

But the sometimes lukewarm response is unlikely to stop the market, and issuers have already reacted to an extent by adjusting new-issue premiums to 3bp-5bp from the 0bp-1bp they were paying in November.

"When investors run out of money, the party's over, the music stops and the duck stops quacking," said a DCM banker.

"But the duck keeps quacking. This is not about trades being either good or bad. It's perhaps that the optics of the trade through execution don't look brilliant, but the actual outcomes aren't too shabby."

A book of over €1.4bn for 2018's first Canadian covered, a €1bn seven-year from BANK OF NOVA SCOTIA, ended the week on a positive note.

It priced at 4bp through mid-swaps via *BNP Paribas, Credit Suisse, LBBW, Scotiabank* and *UBS*. That was 4bp inside the flat area initial talk and offered a 2bp pick-up versus lead estimates of fair value.

ERSTE GROUP also benefited from smooth access to the market, bringing a €1bn 10-year at 6bp through swaps on books over €1.75bn.

FRENCH WAVE

French lenders were back in force, putting to rest some of the concerns that emerged after a €1bn trade for CoFF struggled to cross the line earlier in the month.

Demand reached €1.5bn for SOCIETE GENERALE's €750m January 2028, which priced quite aggressively on Wednesday at 9bp through mid-swaps, having first been shown at less 5bp area.

Caisse Francaise de Financement Local (CAFFIL) defied expectations that it might struggle in the wake of CoFF, pulling in orders of over €1.5bn and €1bn respectively for its €1bn 0.5% January 2026 and €500m 1.125% January 2033s.

But as the week drew to a close, some signs of secondary weakness had emerged. Several transactions were underperforming, including Societe Generale's, which was quoted around less 7bp last Friday, according to Tradeweb prices. CoFF's €1bn 10-year, which priced at minus 7bp, has since drifted out to less 4.5bp.

Bankers are keeping a close eye on Bunds as well.

"The covered market is tight; it's just super-tight," said a syndicate banker. "People need to adjust to what is a tighter Bund spread market, and more volatility in Bunds as well."

HOPES MOUNT FOR ALPHA BANK COVERED

ALPHA BANK was rumoured to be among the names lining up a transaction for this week, the only one of the big four Greek banks yet to return to the debt capital markets.

NBG ended a three-year hiatus in Greek bank issuance with a €750m 2.75% three-year (B3/-/B) in October, which was yielding 2.58% last Friday.

Moody's awarded Alpha's second covered bond programme a B3 provisional rating in November, though a spokesperson for the bank declined at the time to comment on whether the rating was indicative of a public deal.

SPAREBANK 1 BOLIGKREDITT is planning a Green covered bond, which will have an intermediate maturity.

It has mandated *ING* as Green bond structuring advisor and joint bookrunner, and *Deutsche Bank*, *Natixis* and *UniCredit* as joint bookrunners, to arrange investor meetings across Europe from January 17.

SPREAD TO BTPs CURBS INTEREST IN UBI COVERED

UBI BANCA returned to the covered bond market last Monday, though the eye-wateringly tight print versus BTPs appeared to take its toll on investor demand.

It was the first time that the bank had offered a dual-tranche covered transaction, but the attempt to reach two different investor bases did not reap great rewards.

The €1bn deal, comprising a €500m 6.5-year and a €500m 12-year, only lured books of €1.25bn, a change in fortunes compared with its previous foray. Its €1.25bn 1.125% October 2027 in September racked up over €1.8bn.

Lead managers *Barclays, BNP Paribas, ING, LBBW, RBI* and *UniCredit* said from the outset that both tranches were likely to be €500m, but failed to move pricing levels far.

The bonds priced at 10bp and 30bp over mid-swaps, in line with guidance of 10bp area and 30bp area, respectively. They were bid wider at 11.6bp and 32bp last Friday afternoon.

Part of the problem was attributed to just how tight the bonds came compared with BTPs. The 12-year was 94.5bp inside BTPs, while the 6.5-year was 69.2bp inside.

"This did affect demand to an extent," said a banker close to the deal.

It was a similar story earlier this month for CREDIT AGRICOLE CARIPARMA, which priced 110bp through BTPs. Its €500m January 2038 (Aa2) only just crossed the line and the spread set at 40bp over mid-swaps, only just inside low 40s IPTs.

"It gets a little difficult with those peripheral covered bonds because investors in those regions will always look at spreads versus local government bonds," said a banker off the deal.

ALL COVERED BONDS (ALL CURRENCIES)

BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	UniCredit	7	1,790.07	7.3
2	Barclays	6	1,684.22	6.9
3	Natixis	6	1,547.62	6.3
4	SG	5	1,514.96	6.2
5	Santander Global	6	1,473.96	6.0
6	LBBW	5	1,301.26	5.3
7	Credit Suisse	4	1,195.48	4.9
8	RBC	4	1,110.98	4.5
9	Deutsche Bank	3	1,013.54	4.1
10	UBS	3	986.05	4.0
	Total	**20**	**24,435.08**	

Source: Thomson Reuters SDC code: J15a

"The spread versus BTPs for UBI was not as compelling for the local demand."

Pricing was not the only obstacle facing the UBI transaction, however.

UBI sold its last covered bond only last September, waiting until the last quarter to enter the market because it had plenty of liquidity. Italian banks were among the largest users of cheap funding from the European Central Bank, known as TLTRO 2.

That €1.25bn 10-year priced at 35bp over mid-swaps, and is now trading at 19bp, according to Tradeweb.

The deal also failed to offer much spread when compared with the largest Italian banks, and that is posing a challenge in the primary market, another banker said. An Intesa €1bn 1.125% June 2027 is bid at 13.7bp, for example.

"The problem with UBI is that they trade very tight to the core Italian names in secondary," he said. "Trying to crystallise that when you do a new issue is a real challenge."

More generally, peripheral covereds are facing an uphill battle as many buyers start to scale back their weightings of these bonds, Commerzbank analysts wrote in a note this week. That is because any spread widening will hit peripheral bonds first.

Despite these challenges, the upcoming Italian election on March 4 is one potential hurdle that does not seem to have affected Italian covereds so far.

STERLING

WESTPAC CONTINUES FIVE-YEAR FLOATING THEME

While the euro covered bond market appeared unsettled in part last week, there is no stopping sterling.

Year-to-date covered issuance has jumped over 95% to £4.7bn, from £2.65bn last year, as banks hit the five-year FRN sweet spot that has emerged in recent months.

ALL EUROPEAN HIGH-YIELD ISSUERS
1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	BAML	2	270.25	17.8
2	SG	1	187.50	12.4
=2	ING	1	187.50	12.4
=2	MUFG	1	187.50	12.4
5	Banco do Brasil	1	82.75	5.5
=5	Banco Bradesco	1	82.75	5.5
=5	Citigroup	1	82.75	5.5
=5	Itau Unibanco	1	82.75	5.5
=5	Santander Global	1	82.75	5.5
10	NatWest Markets	1	54.14	3.6
	Total	3	1,517.19	

Excluding equity-related debt.

Source: Thomson Reuters SDC code: B06c

WESTPAC became the first Australian bank to access the sterling market in 2018 with last Thursday's £500m five-year floating-rate covered Eurobond via *HSBC*, *Nomura*, *RBC* and its own syndication team.

The January 18 2023 attracted an order book of over £575m and priced at three-month Libor plus 24bp, 1bp wide of where one banker away from the issue had expected it to land.

Initial price thoughts in the 27bp area matched those for the recent five-year covered floaters from Barclays, Bank of Nova Scotia and Sweden's Stadshypotek, all of which ended up selling larger issues at tighter levels than Westpac.

On January 3, Barclays' £1.25bn issue priced 22bp wide of three-month Libor, while BNS paid 23bp for its £550m note. The following day, Stadshypotek printed a £650m five-year covered at 22bp over.

HIGH-YIELD

EUROPE/MIDDLE EAST/ AFRICA

CROWN HOLDINGS EYES JUMBO HIGH-YIELD DEAL TO TAKE SIGNODE

CROWN HOLDINGS is looking to issue senior unsecured high-yield bonds to back its acquisition of peer Signode Industrial Group Holdings.

The company is looking to issue €335m of five-year, €600m of eight-year and US$750m of eight-year notes, according to a banker on the deal. *Citigroup* is leading the trade and other banks are involved.

The bonds are being issued as part of a broader financing package including a US$2.1bn dual-currency term loan.

ALL US$ DENOMINATED HIGH-YIELD BONDS
BOOKRUNNERS – 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	BAML	5	614.00	10.7
2	JP Morgan	4	555.60	9.7
3	Goldman Sachs	2	355.60	6.2
4	Wells Fargo	3	343.75	6.0
5	Morgan Stanley	3	332.36	5.8
6	Bank of China	3	273.88	4.8
7	Citigroup	4	255.04	4.5
8	HSBC	5	242.03	4.2
9	Citic	3	238.61	4.2
10	Deutsche Bank	2	216.31	3.8
	Total	11	5,725.14	

Including US domestics, Euro, foreign, globals. Excluding equity-related debt.

Source: Thomson Reuters SDC code: B5

The covenant-lite deal includes a US$1.25bn term loan and a €750m term loan. Both will mature in seven years and include six months of soft-call protection.

Guidance on the dollar-denominated tranche opened at 225bp over Libor with a 0% floor. The euros are being circulated at 275bp over Euribor with a 0% floor. The discount is being guided at 99.75 (see separate story in Loans section).

MORGAN STANLEY SENDS SAVE-THE-DATE FOR DEBUT REAL ESTATE ISSUER

Morgan Stanley has sent a save-the-date announcement for senior notes from a debut high-yield issuer in the real estate sector.

There will be a London lunch on Monday at 12:30pm in the City.

STRUCTURED FINANCE

EMEA MBS

RMAC TENDER OFFER STUNS MARKET

A £2bn tender offer from a little-known real estate investor has thrown the market into confusion about who its backers are and what its motives could be.

ALL NON-DOLLAR DENOMINATED HIGH-YIELD BONDS
1/1/2018 TO DATE

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	NatWest Markets	1	45.00	20.0
=1	HSBC	1	45.00	20.0
=1	Barclays	1	45.00	20.0
=1	Credit Suisse	1	45.00	20.0
=1	Lloyds Bank	1	45.00	20.0
	Total	1	225.02	

Excluding equity-related debt.

Source: Thomson Reuters SDC code: B6

ALL ASIAN HIGH-YIELD ISSUERS
1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Bank of China	3	273.88	8.4
2	Citic	3	238.61	7.3
3	Deutsche Bank	2	216.31	6.6
4	Goldman Sachs	1	211.85	6.5
=4	JP Morgan	1	211.85	6.5
=4	BNP Paribas	1	211.85	6.5
7	Morgan Stanley	2	188.61	5.8
8	SG	1	187.50	5.7
=8	ING	1	187.50	5.7
=8	MUFG	1	187.50	5.7
	Total	7	3,278.67	

Excluding equity-related debt.

Source: Thomson Reuters SDC code: B06d

US high-yield bond market on fire amid huge rally

■ JUNK BONDS Issuers take advantage of historically low spreads

The US junk-bond market has got 2018 off to a roaring start, with investors scooping up some of the riskiest kinds of debt and spreads rallying to levels not seen in more than a decade.

Last week's high-yield issuance tally was set to top US$7bn once cable and telecoms firm ALTICE and E&P company MOSS CREEK RESOURCES got their deals priced on Friday afternoon.

Money is pouring into the asset class - last week saw a net inflow of more than US$2.65bn into high-yield bond funds - and borrowers are seeing ideal conditions to print fresh debt.

"Treasuries continue to tick up, and everyone knows there are going to be hikes later this year," said one leveraged finance banker.

"[Borrowers] are going now while conditions are so good."

By Thursday, the average junk bond spread was 340bp over Treasuries. While that was off the post-crisis tight of 333bp hit earlier in the week, that is still historically very tight, and the market has reversed the brief sell-off in November when spreads touched almost 400bp.

With conditions so bright, issuers have been testing the waters with all kinds of risky structures, while commodity companies in particular have seized the moment.

Average high-yield energy bond spreads dropped to 374bp over Treasuries, the lowest since September 2014 and a fraction of the 2016 wide of 1,470bp, ICE BAML data show.

Petroleum distributor SUNOCO priced a bigger-than-expected US$2.2bn deal last week, and both of its tranches rallied by up to two points in secondary.

Sunoco's US$1bn five-year priced to yield 4.875%, inside price talk of 5%-5.25%. The deal came after a rally of about 150bp in its existing bonds since early December.

Offshore drilling contractor ENSCO - which is in one of the more volatile energy sectors - also priced at attractive yields for the company.

It initially looked to sell a US$500m deal to fund a tender, but doubled the size of the eight-year issue to US$1bn and priced it at 7.75%, inside guidance of 8% area.

Ensco's existing 2025s had been trading around 8.5% in early December; they have since rallied to around 7%.

"Commodity companies have not had access for a while at these levels," said the banker.

WIDE OPEN

Packaging company ARDAGH's payment-in-kind bond, a deal that will give investors zero cash for at least the next 18 months, priced at a yield of just 8.75%. That was at least 100bp cheaper to where it first began marketing the deal.

For a public company with a long track record, the deal was not considered to be as aggressive as some holdco PIK toggles issued by private equity firms in the past - but it is still one of the riskiest forms of debt that investors can buy.

Even companies in heavily troubled sectors such as retail have raised debt at attractive rates.

L BRANDS - best known for its Victoria's Secret lingerie - priced a US$500m 10-year bond at just 5.25%. That was tight to price talk of 5.25%-5.5%.

L Brand's new issue will refinance more expensive debt.

"We're in a market environment where we will see more opportunistic issuance," said one high-yield syndicate banker.

"I would expect to see more come out of the woodwork."

BUYOUT DEALS LOOM

And more deals are indeed being readied.

Cable firm RCN GRANDE held investor calls on Friday for a US$300m five-year bond to help fund its acquisition of Wave broadband.

MEREDITH is prepping a US$1.4bn eight-year bond to help finance its purchase of Time. The notes are expected to be rated Single B.

Further down the ratings spectrum, ARBY'S announced a Triple C rated US$485m eight-year non-call three to finance its acquisition of Buffalo Wild Wings.

"It's good that there are some new-money deals, but they are not necessarily the type of sectors that we like," one high-yield investor told IFR.

Both Arby's and Meredith are in challenging sectors – restaurants and media. But some on the buyside believe both deals will be absorbed by a yield-hungry market.

"Even in sectors that are a bit more secularly challenged, if a deal is structured well and priced appropriately, I don't think it will have a problem," said Greg Zappin, a portfolio manager at Penn Mutual Asset Management.

Natalie Harrison, Davide Scigliuzzo

Clifden IOM No.1 said on Monday it wanted to buy outstanding bonds from the RMAC and RMACS series of legacy non-conforming RMBS which are now serviced by Fortress-owned Paratus AMC. This followed regulatory announcements on December 20 that said Paratus was in preliminary discussions about calling the deals in the RMAC series. The RMAC deals can be called but the RMACS ones do not have call dates and their clean-up calls can not yet be triggered.

Clifden says it already owns a significant portion of the bonds and that it is "buying out minority holders" but does not say what its next move would be if it was successful.

Bankers speculate that if it can control voting rights in any or all deals, Clifden will try to vote through changes to deal language and then collapse the special purpose vehicles, taking control of the underlying mortgages.

But there is no certainty in the market that the trustee would allow such a move.

Clifden said it has a committed financing facility and sufficient funds to complete the offers for all outstanding notes, but the identity of that provider is unknown.

There is an early tender deadline of 5pm UK time on January 26 and final deadline of 5pm on March 7, although these can both be brought forward. Lazard is financial adviser.

There are 76 outstanding tranches. Tender prices are above recent market levels, and are above par for the callable series of RMAC notes.

CLYDESDALE EYES DOLLAR LANARK RETURN, WEST BROM OUT WITH KENRICK

CLYDESDALE BANK will start roadshowing its LANARK UK RMBS master trust in the US on Tuesday. The bank said on Wednesday it had mandated *BAML*, *BNP Paribas*, *Citi* and *Lloyds* for investor meetings in the US and the UK and that a Reg S/144A deal may follow.

Lanark last issued a dollar tranche in 2013, when a US$300m 2.92-year senior bond was priced at plus 50bp alongside a sterling tranche of £350m at plus 45bp. The deal, Lanark 2013-1, was called in August 2016.

Another prime UK RMBS was announced on Wednesday by WEST BROMWICH BUILDING SOCIETY. Its KENRICK NO.3 offers a 3.46-year Triple A. No expected tranche size has been indicated by joint leads *JP Morgan* and *Lloyds*, but the portfolio is shown at £468m.

The last Kenrick deal was in May 2013 and sold a £380m Triple A tranche at plus 65bp.

The portfolio for the new issue holds 3,371 loans originated since October 2015, with an average loan balance of £138.84k, WA CLTV at 70.7%, seasoning of 3.83 months and a WA interest rate of 2.29%.

A two-day London roadshow starts on Monday, with pricing expected later in the week.

NEW ASSET–BACKED SUMMARY DETAILS: WEEK ENDING 12/1/2018

Issuer	Amount (m)	WAL	Coupon (%)	Bookrunner(s)	Rating	Asset type
CPS 2018-A	US$88.466	0.76	2.160	Citigroup/Credit Suisse	NR/AAA/NR	ABS
CPS 2018-A	US$31.457	1.95	2.770	Citigroup/Credit Suisse	NR/AA/NR	ABS
CPS 2018-A	US$26.908	2.66	3.050	Citigroup/Credit Suisse	NR/A/NR	ABS
CPS 2018-A	US$23.133	3.49	3.660	Citigroup/Credit Suisse	NR/BBB/NR	ABS
CPS 2018-A	US$20.036	4.14	5.170	Citigroup/Credit Suisse	NR/BB-/NR	ABS
E-Carat 9 Plc	£400	1.61	3mL+40bp	BNP Paribas/Lloyds/RBC	Aaa/AAA/NR	ABS
FINSBURY SQUARE 2018-1 PLC	£522.75	2.27	3mL+65bp	BNP Paribas/Citigroup	Aaa/NR/AAA	RMBS
FINSBURY SQUARE 2018-1 PLC	£30.75	3.12	3mL+100bp	BNP Paribas/Citigroup	Aa1/NR/AA	RMBS
FINSBURY SQUARE 2018-1 PLC	£30.75	3.12	3mL+130bp	BNP Paribas/Citigroup	Aa3/NR/A	RMBS
FINSBURY SQUARE 2018-1 PLC	£12.3	3.12	3mL+160bp	BNP Paribas/Citigroup	A3/NR/BBB	RMBS
FINSBURY SQUARE 2018-1 PLC	£9.23	3.12	3mL+281.9bp	BNP Paribas/Citigroup	B/NR/B3	RMBS
Storm 2018-I BV	€2,100	5.00	3mE+60bp	Rabobank/Societe Generale	Aaa/AAA/AAA	RMBS

SPECIALIST KENSINGTON PULLS IN STERLING DEMAND

KENSINGTON MORTGAGE CO brought the first new issue of 2018 on Thursday with its **FINSBURY SQUARE 2018-1** UK RMBS offering, finding very strong demand that allowed lead managers *BNP Paribas* and *Citi* to price all tranches well inside IPTs.

The deal had been initially sized at £430m but was upsized to £615m, the maximum amount possible using a pre-funding mechanism in the structure.

The book totalled £1.86bn, or £1.5bn after deducting orders from trading accounts. All tranches came inside their equivalents from the last deal by the originator in July last year.

The £522.75m of Triple As had IPTs of plus 70bp–75bp, tightened to 65bp–67bp before pricing at plus 65bp, where the tranche was 2.7x covered.

The Class Bs, which had IPTs of low to mid-100s, were priced at plus 100bp. The Class Cs came at plus 130bp (from IPTs of mid to high 100s) and the Class Ds at plus 160bp (from 200bp area).

Oversubscription levels on the three tranches were 6.2x on the Bs and Cs and 5.7x on the Ds. The deal also sold a £9.23m Class X that was priced at plus 281.9bp.

Kensington calls the portfolio "specialist prime". Buy-to-let mortgages make up 22.8%, there are 44.2% self-employed borrowers, and 7.96% with prior CCJs. Interest-only loans are 25.6% of the portfolio.

BUY-TO-LET PAIR ANNOUNCED BY CHARTER COURT AND LONDON WALL

CHARTER COURT FINANCIAL SERVICES and **LONDON WALL** each announced UK buy-to-let securitisations last week.

Charter Court's deal is **PRECISE MORTGAGE FUNDING 2018-1B**, which was roadshowed on Thursday and Friday by joint leads *BAML*, *Lloyds* and *Natixis*.

It is backed by £246m of first-lien BTL mortgages originated since 2013. There are 1,740 accounts, with 10.7 months' seasoning, a WA CLTV of 67.41% and a WA interest rate of 3.68%.

Charter Court sold two RMBS deals last year, the first a regular BTL securitisation, which was followed by a primarily owner-occupied transaction. The fully BTL trade priced in April and included a 3.88-year Triple A tranche at plus 75bp.

The London Wall deal is the third from the BlackRock-backed programme to securitise BTL mortgages originated by Fleet Mortgages. **LONDON WALL SERIES FLEET 2018-01** was announced on Friday and will be roadshowed on Tuesday and Wednesday by *Citigroup* and *HSBC*.

It is backed by a £310m facility with 6.1 months' seasoning, a WA original LTV of 68.4%, and a 3.54% WA interest rate. Some 95.4% of the portfolio comprises interest-only mortgages.

The previous deal from the originator was in August last year when it sold a £337.2m Triple A tranche at plus 85bp. That deal, unlike its debut in 2016, did not offer mezzanine bonds, but the new deal does, selling down to an A3/BBB+ Class D.

ALL INTL ISSUERS (EXCLUDING SELF-FUNDED)
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Morgan Stanley	1	807.32	34.2
2	BNP Paribas	2	590.47	25.0
3	Citigroup	2	504.99	21.4
4	RBC	1	180.48	7.7
=4	Lloyds Bank	1	180.48	7.7
6	Credit Suisse	1	94.99	4.0
	Total	**4**	**2,358.73**	

Includes securitisations, PFI bonds and credit-linked notes. Excludes US global ABS/MBS, CDOs and self funded issues.

Source: Thomson Reuters SDC code: J10d

OBVION SQUEEZES €2.1bn TRIPLE AS TO A TIGHT 14bp

OBVION priced €2.1bn of five-year Triple A Dutch RMBS on Friday, printing the deal at a discount margin of plus 14bp. **STORM 2018-I** was upsized and built a book close to €3bn.

The previous issue from the originator was Storm 2017-II in June last year, which sold €1.6bn at plus 17bp, at the same WAL.

IPTs on Wednesday were set at a DM of plus high teens, before guidance the next day at plus 15bp area.

The tranche had been structured with a coupon already set at three-month Euribor plus 60bp. The cash price is around 102.34.

The leads were *Rabobank* and *SG*.

EMEA ABS

VAUXHALL FINANCE PRICES E-CARAT 9 UK AUTO ABS

VAUXHALL FINANCE, formerly GMAC UK, has priced its first ABS issue since it was taken over by a joint venture between PSA Group and BNP Paribas last year.

The £400m Triple A tranche from **E-CARAT 9** came 2bp wide of the previous E-Carat in March 2017, where a tranche of the same size printed at plus 38bp.

Since then, the Bank of England in June highlighted the role of car finance in driving a surge in UK consumer credit, which focused attention on the growth of PCP loans in particular.

The number of PCP contracts securitised in E-Carat deals has been steadily rising: they were 20% of E-Carat 5 in 2015, 33% and then 43% in E-Carats 6 and 7 in 2016, and 56% for E-Carat 8, which came in March last year. For the new deal they stand at 64%.

"I don't like them as an ABS investor but they are a good thing to have from a car-buyer's point of view and I see no reason why we won't see more," said one investor.

Under PCP contracts, borrowers have the option of making a final balloon payment at the end of their contract to take ownership of the vehicle, or they can return the vehicle in lieu of that payment. This exposes the securitisation to residual value risk if the vehicle is then sold for less than the balloon amount. Those final balloon payments make up 23% of the portfolio in E-Carat 9.

The seniors from E-Carat 9 were 1.3x covered. IPTs had been low to mid 40s, tightened to guidance of plus 40/42bp.

When the deal was announced its Class B was shown as "call desk" but that tranche ended up retained.

Joint leads were *BNP Paribas*, *Lloyds* and *RBC*.

US ABS

ABS BRACED FOR MORE AUTO DEALS AFTER STRONG START TO YEAR

The asset-backed market is braced for a slew of new issues this week, with deal flow expected to be dominated by auto issuers including BMW and MERCEDES.

Just two issuers sold deals last week – GM FINANCIAL and CONSUMER PORTFOLIO SERVICES – and both these auto trades met with strong demand. A banker on the GM deal said the deal was oversubscribed across the capital stack.

"Based on the deals we've seen this week, the market feels strong," said the banker.

"But the question is whether this will last. Towards the back end of last year, you started to see books not building quite as quickly and a bit of fatigue."

The deal from GM was its first public rated prime auto transaction from its current shelf.

That helped attract more investors than on its three private deals last year, while being a first mover in the primary this year also helped drive demand.

The banks selling the US$1.23bn trade started out conservatively on pricing to gauge appetite.

GLOBAL STRUCTURED FINANCE IN US$
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Morgan Stanley	1	807.32	28.3
2	Citigroup	2	724.09	25.4
3	TD Securities	1	306.79	10.8
=3	MUFG	1	306.79	10.8
=3	BAML	1	306.79	10.8
=3	Barclays	1	306.79	10.8
7	Credit Suisse	1	94.99	3.3
	Total	**4**	**2,853.55**	

Including securitisations (Euro, foreign, global and domestics, excluding CDOs) and PFI bonds.

Source: Thomson Reuters SDC code: B16b

But spreads were pulled in by up to 15bp through the bookbuild. It priced roughly in line with the last prime auto retail deals from HONDA and NISSAN late last year, and inside its own last prime deal in October.

The biggest tightening though was seen on the smallest and lower rated tranches. The 3.58-year Class B, rated Aa3/AA by Moody's and Fitch, priced at 30bp over interpolated swaps versus guidance of 35bp–40bp and whispers of the 45bp area.

The 3.58-year Class C, rated A1/A, priced at 50bp over interpolated swaps versus guidance of 55bp–60bp and whispers of the 65bp area.

BID FOR RESIDUALS

It was a similar story for the CPS sub-prime deal, with the tranches on that trade four to six times covered, according to a banker on the trade. The largest US$88.466m Triple A rated 0.76-year tranche priced at EDSF plus 27bp versus guidance of the 30bp area and whispers of low-to-mid 30s.

The 3.49-year US$23.133m Class D, rated BBB by both S&P and DBRS, priced at 140bp over interpolated swaps, while the 4.14-year US$20.036m Class E, rated BB-/BB, priced at 290bp over interpolated swaps.

The comparable tranches on its last deal in October came at 185bp and 340bp over.

"Subs are very well bid," said the banker. "There is a risk-on feel and there is a lot of enquiry about residuals."

Home furnishing retailer CONN'S sold a subordinated tranche – a US$78.64m 1.89-year Class C, rated B– by both Fitch and Kroll – at 400bp over EDSF in December.

"That got people's attention," said the banker. "It was very tight, and issuers are aware of the bid."

NOT JUST AUTOS

At least six auto deals are now already pre-marketing: prime deals are on offer from BMW, CARMAX and Mercedes, sub-prime issues are circulating for SANTANDER and WESTLAKE and another trade from car rental firm HERTZ is out there.

Mercedes could potentially upsize its Triple A rated deal to more than US$2bn from around US$1.286bn, according to deal documents seen by IFR, while Westlake is offering tranches with ratings ranging from Triple A to Single B.

BMW is selling its first prime retail deal since 2016, a US$1.25bn issue. It funded through its lease platform last year.

Whispers on that trade are tight: in the single-digits for the 0.98-year Class A2, 11bp–13bp over interpolated swaps for the 2.22-year A3 Class and 17bp–18bp over interpolated swaps for the 3.41-year A4. But deals from other sectors are also expected.

Personal finance company SOCIAL FINANCE – one of the top 10 issuers of ABS last year – has also got the ball rolling with a filing for a private student loan ABS. Online lender MARLETTE has also filed for a potential deal.

Consumer loan volume and ABS issuance reached record levels in 2017, according to rating agency Kroll. Total consumer loan ABS issuance topped US$7.8bn in 2017, up from US$4.6bn in 2016 for a year-over-year increase of 71%, Kroll said.

Spreads in the asset class tightened as investors got more comfortable with transaction structures, asset performance, underwriting and operations, the rating agency said.

Kroll expects 2018 to be another big year for the asset class as loan volumes increase and the regulatory environment improves.

US ABS DEAL PRICINGS

CONSUMER PORTFOLIO SERVICES

CONSUMER PORTFOLIO SERVICES (CPS) priced a US$190m sub-prime auto loan transaction, CPS 2018-A. *Citigroup* was structurer and joint bookrunner alongside *Credit Suisse*.

Collateral: Sub-prime auto retail.

Largest tranche: Class A US$88.466m, with 0.76-year WAL; rated Triple A; priced at EDSF plus 27bp versus guidance at EDSF plus 30bp area.

Direct comp: CPS 2017-D (10/10/17) Class A US$91.4m, with 0.75-year WAL, rated Triple A; priced at EDSF plus 33bp.

GM FINANCIAL

GM FINANCIAL priced a US$1,227.27m SEC-registered prime auto loan securitisation, GM FINANCIAL CONSUMER AUTOMOBILE RECEIVABLES TRUST (GMCAR) 2018-1. *Barclays* was structurer and joint bookrunner alongside *BAML*, *MUFG*, and *TD*.

Collateral: Prime auto loans.

Largest tranche: Class A-3 US$384m, with 2.42-year WAL; rated Triple A; priced at interpolated swaps plus 14bp versus guidance interpolated swaps plus 17bp-19bp.

Direct comp: GMCAR 2017-3 (3/10/17) Class A-3 US$331m, with 2.41-year WAL, rated Triple A; priced at interpolated swaps plus 20bp.

ASIA-PACIFIC ABS

FORD PREPS YEAR'S FIRST CHINA ABS

FORD AUTOMOTIVE FINANCE (CHINA) is preparing this week its first auto loans-backed securitisation of the year; a Rmb3.75bn (US$578m) deal.

The issue is split into three – a Class A floating-rate tranche of Rmb3.28bn, a Class B floating-rate tranche of Rmb164m and an unrated subordinated tranche of Rmb303m.

NAB to introduce Green RMBS

■ **STRUCTURED FINANCE First mortgage-backed deal in Asia-Pacific to include climate bonds**

NATIONAL AUSTRALIA BANK is marketing a securitisation of Australian mortgages that will include the first Green RMBS tranche in Asia-Pacific, adding to the growing market for environmentally friendly securities Down Under.

The self-led offering of Australian dollar RMBS, through National RMBS Trust 2018-1, includes Class A1G notes that are expected to be certified as Climate bonds under the Climate Bonds Initiative standards. The total size of the issue is indicated at A$750m (US$585m).

Some A$180m, or 24%, of loans in the A$750m mortgage pool satisfy the CBI's July 2017 low-carbon building guidance for Australian residential properties, according to Moody's.

The A1G notes are indicatively sized at A$112.5m with the potential, along with the overall RMBS, for upsizing as the transaction progresses, an NAB banker said.

CBI criteria currently only allow assets from New South Wales, Victoria and Tasmania to be certified, though this may be expanded in the future to include the remaining Australian states and territories.

With 98.3% of the A$180m green mortgages concentrated in Victoria and New South Wales investors may have some geographical diversification concerns, especially since house price growth in Melbourne, Victoria's state capital, appears to have stalled, while Sydney's previously booming houses prices in neighbouring NSW are now in decline.

However, the AG1 notes are well insulated from any potential crisis. They have 8% credit support and are rated Aaa by Moody's, which expects losses for the transaction to be limited to 4.2% in the event of a severe recession (see below for further details).

Green RMBS are a rare phenomenon globally. Only wholly owned Rabobank subsidiary Obvion has issued them previously, though UK bank Barclays did sell a €500m Green bond last November to finance and refinance residential mortgages based on the overall carbon intensity of the underlying properties.

Obvion printed €500m (US$600m) of five-year Triple A rated Green Storm 2016 securities in June 2016, all of which were allocated to so-called "green accounts".

The Dutch mortgage lender returned in May 2017 to issue €550m of Triple A rated Class A notes, with a 4.9-year weighted-average life, called Green Storm Dutch RMBS 2017.

Both of these securitisations are backed against portfolios of energy-efficient Dutch prime mortgages, over half of which carry a government guarantee.

They priced tightly, but still paid a small premium over Obvion's standard RMBS, whereas NAB's upcoming National RMBS 2018-1 Trust A1G tranche is expected to price in line with the standard A1 note.

Consumer finance specialist FlexiGroup is the only originator to have previously sold Green asset-backed securities in Australia.

In April 2016, the A$260m Flexi ABS Trust 2016-1 included A$50m of A2G notes, backed against loans for residential rooftop solar power systems.

The A2Gs, which benefited from a cornerstone investment of A$20m from the government's Clean Energy Finance Corp, priced 5bp inside an identical portion secured against non-Green assets, showing that Green securities can provide a pricing advantage for issuers.

FlexiGroup repeated the move in February 2017 with the A$265m Flexi ABS Trust 2017-1 issue, when A$50m Class A2Gs priced 3bp tighter than the standard A$63.37m Class A2s.

ASSET GROWTH

NAB has been at the forefront of developments in Australia's Green bond market. It was the first local bank to launch a domestic Green issue with a A$300m seven-year medium-term note in December 2014, before printing the sector's inaugural offshore Green note with a €500m 5.5-year Eurobond in February 2017.

NAB also sold an Australian credit's first gender-related issue with a A$500m self-led five-year Social (gender equality) bond in March 2017.

NAB previously issued RMBS in June 2016 with a A$2bn sale through National RMBS Trust 2016-1. As a result, the new offering, which is not expected to price for at least two weeks, is likely to enjoy some scarcity value, while the Green tranche will benefit from Australia's rapidly expanding buyside.

The Responsible Investment Benchmark Report 2017 showed that total responsible assets under management in Australia quadrupled in three years to A$622bn at the end of 2016.

Of all Australian assets under management, 44% was invested through core or broad responsible strategies with core responsible investments alone jumping 26% year-on-year to A$64.9bn, or 4.5% of the total assets.

There were 11 Green bonds issued, totalling A$2.8bn, in the Australian dollar market last year, while NAB and insurance company QBE raised €500m and US$300m offshore, respectively.

The respective 2014, 2015 and 2016 full-year totals of Green supply in Australian dollars and Australian credit bond sales offshore were just A$1.0bn, A$1.4bn and A$1.1bn, from three, three and five issuers.

RATING DETAILS

Moody's released provisional ratings for NAB's National RMBS Trust 2018-1 deal.

The upcoming offering is the year's first Australian RMBS issue, as well as the first RMBS offering in the country with a Green tranche.

The A1A and A1G notes have a combined size of A$690m, though it is normal for major bank RMBS to be substantially increased during the bookbuilding process, often up to A$2bn or even higher.

The A1 and A$26.25m of Class A2 notes are rated Aaa. The A$17.25m of Class Bs, A$6m of Class Cs, A$5.25m of Class Ds, and A$3m of Class Es have respective ratings of Aa2, A2, Baa2 and Ba2. The deal is completed with A$2.25m of unrated Class F notes.

The A1, A2, B, C, D and Class E notes have respective credit support of 8%, 4.5%, 2.2%, 1.4%, 0.7% and 0.3%.

In support of its rating, Moody's said the portfolio has a low weighted-average scheduled loan-to-value ratio of 61.8%, while only 7.8% of the loans have a scheduled LTV ratio above 80%.

The portfolio is well seasoned, with weighted-average seasoning of 32.8 months, while investment and interest-only loans represent 21.8% and 14.8% of the portfolio, respectively, both being below the Australian mortgage market averages, the ratings agency says.

In addition, about 89.6% of the borrowers are pay-as-you-go full-time employees – a higher proportion than a typical transaction in the Australian RMBS market, according to Moody's.

John Weavers

All three tranches are expected to mature on August 26 2023. The Class A tranche has AAA/AAA ratings (China Bond Rating/China Cheng Xin) and the Class B portion is rated AA+/AA+. Moody's has assigned respective provisional ratings of Aa3 and A1 to two tranches.

Books will open on January 18 in China's interbank bond market and the securities will be also available to offshore investors via the Bond Connect scheme.

China Merchants Securities is lead underwriter and bookrunner on the offering, with *ICBC* and *Standard Chartered Bank (China)* as joint lead underwriters. *Citigroup Global Markets Asia* is financial adviser.

FAFC, a wholly owned subsidiary of Ford Motor Credit, has completed seven previous onshore securitisation issues.

GLOBAL BOND SUMMARY DETAILS: WEEK ENDING 12/1/2018

Pricing date	Issuer	Amount	Maturity	Coupon (%)	Reoffer	Spread (bp)	Yield (%)
SSAR							
US DOLLARS							
Jan 9 2018	EIB	US$5bn	Mar 15 2023	2.5	99.982	MS+15, CT5+19.3	2.504
Jan 9 2018	IFC	US$350m incr (US$1.5bn)	Dec 15 2022	3mL+7	99.9	3mL+9	-
Jan 10 2018	IDB	US$3.75bn	Jan 18 2023	2.5	100	MS+11, CT5+15.7	2.5
Jan 11 2018	KfW	US$5bn	Dec 29 2022	2.375	99.501	MS+12, T+15.9	2.483
Jan 11 2018	Muni Fin	US$500m	Feb 17 2021	3mL+5	100	3mL+5	-
Jan 11 2018	ADB	US$3.75bn	Jan 20 2021	2.125	99.893	MS+1, T+19.2	2.287
Jan 11 2018	ADB	US$1.5bn	Jan 19 2028	2.75	99.714	MS+23, T+21.85	2.783
EUROS							
Jan 9 2018	Dexia CL	€2bn	Jan 17 2025	0.5	99.746	MS flat, B+44+2, OAT+30.7, OLO+28.8	0.537
Jan 10 2018	KfW	€5bn	Jan 7 2028	0.625	99.289	MS-18, B+25.8	0.699
Jan 10 2018	EFSF	€6bn	Feb 17 2025	0.4	99.742	MS-16, B+29.4	0.437
Jan 10 2018	Portugal	€4bn	Oct 17 2028	2.125	99.89	MS+114, B+159	2.137
Jan 10 2018	Italy	€9bn	Sep 1 2038	2.95	99.766	BTP '36+16	2.987
Jan 10 2018	Rentenbank	€250m incr (€1.5bn)	May 20 2022	1.25	105.902	MS-33, B+22.1	-
Jan 11 2018	EIB EARN	€2.5bn	Oct 16 2048	1.5	98.138	MS+1, B+23.6	1.577
STERLING							
Jan 9 2018	NIB	£500m	Dec 15 2023	1.125	99.817	G+28	1.154
Jan 9 2018	KfW	£1bn	Dec 15 2022	1	99.554	G+28	1.091
Jan 11 2018	BNG	£400m	Jun 17 2022	1	99.526	G+41	1.108
NON CORE							
Jan 9 2018	ADB	NZ$500m	Jan 17 2023	3	99.931	MS+34, NZGB+63	3.015
Jan 9 2018	BNG	A$100m	Jul 17 2028	3.3	99.385	ASW+63. ACGB+70	3.37
Jan 9 2018	BNG	A$100m incr (A$200m)	Jul 17 2028	3.3	99.884	ASW+63. ACGB+70.25	3.428
Jan 10 2018	KBN	A$300m incr (A$850m)	Apr 17 2023	4.5	108.163	ASW+43, ACGB+44	2.815
Jan 11 2018	EDC	A$325m incr (A$875m)	Oct 24 2022	2.7	99.931	ASW+32, ACGB+40.5	2.715
Jan 12 2018	IDB	NZ$375m	Jan 25 2023	3	99.733	MS+34, NZGB+65.8	3.058
Jan 12 2018	IFC	A$50m incr (A$600m)	Oct 18 2027	3.2	99.996	ASW+43, ACGB+50	3.2
Jan 9 2018	KfW	NKr500m incr (NKr2.5bn)	Nov 4 2020	1	100.227	MS-32.2	0.917
Jan 9 2018	World Bank Sustainable Development Bond	C$1bn	Jan 17 2023	2.25	99.433	MS+2, GOC+37.4	2.371

Pricing steps	NIP (bp)	Book size	Ratings	Bookrunners	Distribution
MS+17 area	"minimal"	>US$9.5bn, 127 acs	Aaa/AAA/AAA	BNPP/GS/HSBC	EMEA 48%, APAC 30%, Amers 22%. Bks/Tsy 51%, CB/OI 41%, FM 8%.
-	-	-	Aaa/AAA	Barc/DB	-
MS+12 area	-	>US$5.2bn	Aaa/AAA	BAML/BMO/RBC/TD	-
MS+14 area, MS+13 area	-	>US$7.2bn, 110 acs	Aaa/AAA/Scope AAA	Barc/DB/MS	Eur 44%, Amers 29%, Asia 25%, MEA 2%. Bks 60%, CB 22%, AM 17%, Ins/PF 1%.
3mL+6 area (I), 3mL+6 area (G)	1	>US$600m	Aa1/AA+	BAML/DB/RBC	-
MS+3 area, MS+2 area	2.5	>US$5.6bn	Aaa/AAA/AAA	GS/JPM/Nomura/TD	-
MS+24 area (I), MS+24 area (G)	2.5	>US$2bn	Aaa/AAA/AAA	GS/JPM/Nomura/TD	-
MS+2 area, MS+1 area	-	>€3bn	Aa3/AA/AA-	CA-CIB/DB/JPM/Natx	Fr 34%, Ger/Aus 24%, Benelux 11%, UK/Ire 8%, Asia 7%, Nordics 6%, It 5%, Switz 5%, Other <1%. FM 38%, Bks 33%, CB/OI 22%, Ins/PF 6%.
MS-16 area, MS-17 area	2	€11.4bn, nr 150 acs	Aaa/AAA/Scope AAA	BNPP/CMZ/GS	Ger 36%, UK 17%, Fr 8%, Benelux 7%, Scandi 7%, RoEur 14%, Asia 9%, N.Amer 2%, ME 0.1%. Bks 47%, CB 22%, AM 23%, Ins/PF 5%, Other 4%%.
MS-14 area, MS-15 area	1	>€13bn	Aa1/AA/AA	Barc/CA-CIB/Uni	Euro Area 61%, UK/Switz 31%, RoEur 5%, Asia 3%. Bks 53%, FM 31%, CB/Gov/SWF 11%, Ins/PF 5%.
MS+120 area, MS+117 area	2	>€18.85bn, >320 acs	Ba1/BBB-/BBB	Barc/IMI/ING/JPM/NatWest	UK 35%, Fr/It/Sp 30.4%, Port 12.4%, Ger/Aus/Switz 8.9%, RoEur 4.8%, N.Amer 3.9%, Nordics 3%, Other 1.6%. FM 37.9%, Bks/PB 37.2%, Ins/PF 17.2%, HF 5%, CB 2%, Other 0.7%.
BTP '36+hi teens, BTP '36+17 area	1.5	>€31bn	Baa2/BBB/BBB/BBBH	Barc/IMI/ING/JPM/NatWest	UK/Ire 43.68%, It 24%, Fr 8.55%, Ger/Aus 7.65%, Nordics 5.79%, USA/Canada 2.9%, Iberia 2.8%, Benelux 1.69%, Switz 1.58%, RoEur 0.8%, Asia 0.33%, ME 0.22%. FM 45%, Bks 26.8%, HF 10.7%, Ins 7.69%, OI 5.06%, PF 4.41%, Corp 0.34%.
MS-33 area	-	-	Aaa/AAA/AAA	BLB/Citi/LBBW	-
MS+1 area	-	€3.15bn, >100 acs	Aaa/AAA/AAA	Barc/CA-CIB/GS/Uni	Ger 42%, UK 32%, Fr 8%, Scandi 6%, RoEur 11%, MEA 1%. FM/AM 46%, Bks 40%, Ins/PF 9%, CB/OI 5%.
G+28 area (I), G+28 area (G)	-	>£550m	Aaa/AAA	Citi/HSBC/Nomura	UK/Ire 87%, RoEur 8%, Nordics 5%. Bks 69%, AM 24%, CB 7%.
G+28	-	>£1.15bn	Aaa/AAA/Scope AAA	BAML/HSBC/NatWest	-
G+41 area (I), G+41 area (G)	-	>£450m	Aaa/AAA/AA+	JPM/RBC	-
MS+34	-	-	Aaa/AAA/AAA	ANZ/BNZ/TD	-
ASW+63	-	-	Aaa/AAA/AA+	DB/Nomura/RBC	-
ASW+63	-	-	Aaa/AAA/AA+	DB/Nomura/RBC	-
ASW+43	-	-	Aaa/AAA	DB/TD	-
ASW+32	-	-	Aaa/AAA	CBA/DB/RBC	-
MS+34	-	-	Aaa/AAA/AAA	ANZ/CBA/TD	-
ASW+43	-	-	Aaa/AAA/AAA	Nomura	-
-	-	-	Aaa/AAA/Scope AAA	Danske	-
MS+2 area (I), MS+2 area (G)	-	>C$1.2bn, >40 acs	Aaa/AAA/AAA	BAML/BMO	Canada 55%, Eur/ME 24%, Asia 11%, US 10%. AM/Ins/PF 42%, Bks/Tsy/Corp 34%, CB/OI 24%.

GLOBAL BOND SUMMARY DETAILS: WEEK ENDING 12/1/2018 (CONTINUED)

Pricing date	Issuer	Amount	Maturity	Coupon (%)	Reoffer	Spread (bp)	Yield (%)
Jan 10 2018	EIB CAB (Green)	C$700m	Jan 18 2023	2.375	99.813	MS+5, GOC+40.15	2.415
Jan 11 2018	EIB	TL100m inc (TL525m)	Apr 29 2024	10.5	98.763	-	-
Jan 11 2018	KfW	NKr500m incr (NKr1.5bn)	Oct 12 2021	1	99.953	-	-
Jan 12 2018	KfW	NKr1bn	Jan 19 2021	0.875	99.756	-	-
Jan 12 2018	Rentenbank	NKr1bn incr (NKr2bn)	Jun 17 2020	2.625	104.081	MS-32.2	0.903
CORPORATES							
US DOLLARS							
Jan 8 2018	Air Lease Corp	US$550m	Mar 1 2021	2.5	99.38	T+65	2.707
Jan 8 2018	Air Lease Corp	US$700m	Mar 1 2025	3.25	98.72	T+105	3.454
Jan 8 2018	Toyota Motor Credit Corp	US$750m	Jan 10 2020	2.2	99.91	T+29	2.246
Jan 8 2018	Toyota Motor Credit Corp	US$400m	Jan 10 2020	3mL+10	100	3mL+10	3mL+10
Jan 8 2018	Toyota Motor Credit Corp	US$600m	Jan 11 2023	2.7	99.94	T+43	2.712
Jan 8 2018	Toyota Motor Credit Corp	US$250m	Jan 11 2023	3mL+39	100	3mL+39	3mL+39
Jan 8 2018	Toyota Motor Credit Corp	US$500m	Jan 11 2028	3.05	99.78	T+60	3.076
Jan 8 2018	Ares Capital Corp	US$600m	Mar 1 2025	4.25	99.62	T+190	4.311
Jan 9 2018	Jabil Inc	US$500m	Jan 12 2028	3.95	99.71	T+145	3.985
Jan 9 2018	Athene Holding	US$1bn	Jan 12 2028	4.125	99.85	T+160	4.144
Jan 9 2018	Crown Castle International Corp	US$750m	Jul 15 2023	3.15	99.63	T+90	3.224
Jan 9 2018	Crown Castle International Corp	US$1bn	Feb 15 2028	3.8	99.62	T+130	3.846
Jan 9 2018	Stanford Health Care	US$500m	Nov 15 2048	3.795	100	T+90	3.795
Jan 9 2018	Sempra Energy	US$500m	Jul 15 2019	3mL+25	100	3mL+25	3mL+25
Jan 9 2018	Sempra Energy	US$500m	Feb 1 2020	2.4	99.86	T+50	2.468
Jan 9 2018	Sempra Energy	US$700m	3YRNC1	3mL+50	100	3mL+50	3mL+50
Jan 9 2018	Sempra Energy	US$500m	Feb 1 2023	2.9	99.62	T+65	2.981
Jan 9 2018	Sempra Energy	US$1bn	Feb 1 2028	3.4	99.3	T+93	3.483
Jan 9 2018	Sempra Energy	US$1bn	Feb 1 2038	3.8	98.92	T+98	3.878
Jan 9 2018	Sempra Energy	US$800m	Feb 1 2048	4	98.65	T+118	4.078
Jan 10 2018	Patterson-UTI Energy	US$525m	Feb 1 2028	3.95	99.93	T+140	3.959
Jan 11 2018	Brookfield Finance	US$650m	Jan 25 2028	3.9	99.65	T+140	3.942
Jan 11 2018	Brookfield Finance	US$350m incr (US$900m)	Sep 20 2047	4.7	101.96	T+170	4.577
EUROS							
Jan 8 2018	Vonovia	€500m	Jan 15 2024	0.75	99.33	MS+45, B+90.4	0.865
Jan 8 2018	Vonovia	€500m	Jan 14 2028	1.5	99.439	MS+70, B+114.7	1.561
Jan 9 2018	ENEL (Green)	€1.25bn	Sep 16 2026	1.125	99.184	MS+47, B+91.3	1.225
Jan 9 2018	Orange	€1bn	Jan 16 2030	1.375	99.572	MS+37, B+98.8, OAT+48.6	1.414

Pricing steps	NIP (bp)	Book size	Ratings	Bookrunners	Distribution
MS+5 area(I), MS+5 area(G)	-	C$800m	Aaa/AAA/AAA	CIBC/HSBC/RBC/TD	-
-	-	-	Aaa/AAA/AAA	Nordea	-
-	-	-	Aaa/AAA/Scope AAA	DB	-
-	-	-	Aaa/AAA/Scope AAA	SEB	-
-	-	-	Aaa/AAA/AAA	Danske	-
T+85 area, T+70 (+/-5)	4	US$1.2bn	BBB/BBB	BAML/JPM/SG/WFS	-
T+125 area, T+110 (+/-5)	4	US$1.45bn	BBB/BBB	BAML/JPM/SG/WFS	-
T+40 area, T+29 (the #)	3	US$900m	Aa3/AA-/A	BAML/HSBC/Miz/MS/SG	-
3mL equiv, 3mL+10 (the #)	FRN	US$1.5bn	Aa3/AA-/A	BAML/HSBC/Miz/MS/SG	-
T+60 area, T+43/45	3	US$650m	Aa3/AA-/A	BAML/HSBC/Miz/MS/SG	-
3mL equiv, 3mL+39/41	FRN	US$2bn	Aa3/AA-/A	BAML/HSBC/Miz/MS/SG	-
T+80 area, T+60/62	4	US$1.5bn	Aa3/AA-/A	BAML/HSBC/Miz/MS/SG	-
T+215 area, T+195 (+/-5)	7	US$1.4bn	BBB/BBB	BAML/STRH/WFS(a)BMO/JPM/SMBC(p)	-
T+175 area, T+150/155	0	US$3.5bn	Ba1/BBB-/BBB-	BNPP/Citi/JPM/Miz(a)BAML/MUFG/SMBC(p)	-
T+175 area, T+165 (+/-5)	10	US$3.5bn	BBB/BBB-	Barc/GS	-
T+110 area, T+90/95	4	US$1.9bn	Baa3/BBB-/BBB-	CA-CIB/Citi/RBC/SG/TD	-
T+150 area, T+130/135	4	US$2.8bn	Baa3/BBB-/BBB-	CA-CIB/Citi/RBC/SG/TD	-
T+105 area	N/A	-	Aa3/AA-/AA	MS	-
3mL+40/45, 3mL+27 (+/-2)	FRN	US$1.3bn	Baa1/BBB+/BBB+	Barc/MS/RBC	-
T+65 area, T+52 (+/-2)	2.5	US$1.65bn	Baa1/BBB+/BBB+	Barc/MS/RBC	-
3mL+70 area, 3mL+52 (+/-2)	FRN	US$2.3bn	Baa1/BBB+/BBB+	Barc/MS/RBC	-
T+85/90, T+67 (+/-2)	2.5	US$3.4bn	Baa1/BBB+/BBB+	Barc/MS/RBC	-
T+110/115, T+95 (+/-2)	3	US$3.6bn	Baa1/BBB+/BBB+	Barc/MS/RBC	-
T+120/125, T+100 (+/-2)	3	US$3.7bn	Baa1/BBB+/BBB+	Barc/MS/RBC	-
T+135/140, T+120 (+/-2)	3	US$4.2bn	Baa1/BBB+/BBB+	Barc/MS/RBC	-
T+175 area, T+145 (+/-5)	5	US$3.8bn	Baa2/BBB	BAML/GS/WFS(a)Scotia(p)	-
T+160 area, T+145 (+/-5)	0	US$2.1bn	Baa2/A-/A	BAML/DB	-
T+180/185, T+175 (+/-5)	5	US$900m	Baa2/A-/A	BAML/DB	-
MS+60/65, MS+45/50	2.5	>€4.25bn combined	-/BBB+	JPM(GC)/BAML	-
MS+85/90, MS+70/75	5	>€4.25bn combined	-/BBB+	JPM(GC)/BAML	-
MS+65 area, MS+50 (+/-3)	5	>€2.9bn	Baa2/BBB+/BBB+	CA-CIB/JPM/IMI/BNPP/HSBC/ING/Medio/Natx/SMBCNikko/SG/UBI/Uni	Fr 24%, Ger/Aus 17%, UK/Ire 16%, Nordics 12%, Benelux 9%, Iberia 9%, Switz 8%, It 3%, Other 2%. AM 62%, Ins/PF 26%, CB/OI 7%, Bks/PB 5%.
MS+55 area, MS+40 (+/-3)	10	c.€2.6bn	Baa1/BBB+/BBB+	BNPP/CA/HSBC/Santan	-

GLOBAL BOND SUMMARY DETAILS: WEEK ENDING 12/1/2018 (CONTINUED)

Pricing date	Issuer	Amount	Maturity	Coupon (%)	Reoffer	Spread (bp)	Yield (%)
Jan 9 2018	AB InBev	€1.5bn	Apr 15 2024	3mE+30	100.183	3mE+30	-
Jan 9 2018	AB InBev	€2bn	Jan 22 2027	1.15	99.314	MS+43, B+91	1.231
Jan 9 2018	AB InBev	€750m	Jan 23 2035	2	98.33	MS+75, B+123.4	2.118
Jan 10 2018	FCA Bank	€850m	6/17/21	3mE+33	100	3mE+33	-
Jan 10 2018	Engie	€1bn	Perpetual (Apr 2023)	1.375	99..376	MS+114.5, B+165	1.5
Jan 10 2018	ASF	€1bn	Jan 22 2030	1.375	99.223	MS+35, B+97.3	1.446
Jan 10 2018	Aroundtown	€400m	Perpetual (Jan 2024)	2.125	98.174	MS+200	2.456
Jan 11 2018	Deutsche Bahn	€1bn	Dec 17 2027	1	99.476	MS+10, B+53.2	1.056
Jan 11 2018	EXOR	€500m	Jan 18 2028	1.75	98.52	MS+95, B+139	1.914
Jan 11 2018	REN Finance	€300m	Jan 18 2028	1.75	99.836	MS+80, B+124.1	1.768
SWISS FRANCS							
Jan 8 2018	Nant de Drance	SFr180m	Aug 19 2025	1.55	100.258	MS+145, Eidg+188	1.514
Jan 9 2018	Aduno Holding	SFr100m incr (SFr200m)	Jan 21 2019	3mL flat	100.5	-	-
Jan 10 2018	Kernkraftwerk Leibstadt	SFr125m	Aug 7 2024	1.5	100.141	MS+145, Eidg+184.7	1.477
NON CORE							
Jan 8 2018	Willhem	SKr250m	Jan 17 2022	3mSt+100	101.983	3mSt+51	-
Jan 9 2018	Vasakronan	SKr200m	Feb 16 2021	0.47	100	-	0.47
Jan 10 2018	Mercedes-Benz Australia	A$100m	Jan 18 2021	2.625	99.645	MS+59.1	2.75
Jan 10 2018	Choice Property REIT	C$300m	Mar 21 2022	3.01	99.983	OTC+103	3.015
Jan 10 2018	Choice Property REIT	C$350m	Jan 10 2025	3.546	100	OTC+140	3.546
Jan 11 2018	Hemso Fastighets	SKr150m	Jan 18 2038	3.05	100	MS+120	3.05
Jan 11 2018	John Deeree Canada	C$300m	Jan 17 2023	2.7	99.981	OTC+70	2.704
Jan 12 2018	Volvofinans Bank	SKr450m	Jan 19 2023	3mSt+100	101.256	3mSt+75	-
FINANCIALS							
US DOLLARS							
Jan 5 2018	Bank of Nova Scotia	US$1bn	Jan 8 2021	2.5	99.9	T+48	2.534
Jan 5 2018	Bank of Nova Scotia	US$500m	Jan 8 2021	3mL+29	100	3mL+29	3mL+29
Jan 5 2018	Credit Suisse Group	US$2bn	11YRNC10	3.869	100	T+140	3.869
Jan 5 2018	Intesa Sanpaolo	US$1bn	Jan 12 2023	3.375	99.74	T+115	3.432
Jan 5 2018	Intesa Sanpaolo	US$1bn	Jan 12 2028	3.875	99.21	T+150	3.971
Jan 5 2018	Intesa Sanpaolo	US$500m	Jan 12 2048	4.375	99.5	T+160	4.405
Jan 8 2018	BPCE	US$850m	Jan 11 2023	2.75	99.15	T+65	2.935
Jan 8 2018	BPCE	US$850m	Jan 11 2028	3.25	98.92	T+90	3.378
Jan 8 2018	MassMutual Global Funding II	US$500m	Jan 11 2025	2.95	99.8	T+58	2.982
Jan 8 2018	National Australia Bank / New York	US$900m	Jan 12 2021	2.5	99.75	T+53	2.587
Jan 8 2018	National Australia Bank	US$600m	Jan 12 2021	3mL+35	100	3mL+35	3mL+35
Jan 8 2018	National Australia Bank / New York	US$500m	Apr 12 2023	2.87	99.71	T+65	2.935

Pricing steps	NIP (bp)	Book size	Ratings	Bookrunners	Distribution
3mE+45 area, 3mE+30/35	12.5	c.€2.7bn	A3/A-	BNPP/DB/ING/MUFG/Santan/SG	-
MS+55/60, MS+45 (+/-2)	10	c.€4bn	A3/A-	BNPP/DB/ING/MUFG/Santan/SG	-
MS+85/90, MS+75/80	8	c.€1.5bn	A3/A-	BNPP/DB/ING/MUFG/Santan/SG	-
3mE+50 area, 3mE+35 (+/-2)	-	€2.3bn	Baa1/BBB/BBB+	BAML/CA/Citi/Medio/Uni	-
1.75% area, 1.5%/1.625%	10	>€1.8bn	Baa1/BBB/BBB+	BAML/Barc/CA-CIB/JPM	-
MS+50 area, MS+35/40	5	>€1.5bn	A3/A-	BNPP/DB/Miz/Natx/NWM/ SMBCNikko	Fr 46%, UK/Ire 15%, Ger/Aus 14%, Benelux 9%, Asia 8%, Switz 3%, S.Eur 3%, Nordics 2%. AM 39%, Ins/PF 36%, OI 23%, Bks/PB 2%.
MS+220/225, MS+200/205	5	c.€750m	-/BBB-	Citi/DB/MS/SG	Ger 24%, UK 22%, Fr 20%, S.Eur 18%, Nordics 4%, Benelux 1%, MENA 7%, Other 4%. AM 69%, Ins/PF 23%, Bks 4%, CB 3%, Other 1%.
MS+20 area, MS+10/13	6	>€2.25bn	Aa1/AA-	Citi/ING/Miz/SG	-
MS+115 area	0	>€1.9bn	-/BBB+	Citi/DB/SG/Uni/IMI/BNPP/CA-CIB/ HSBC/Medio/MS/Natx/NatWest	Fr 23% Ger/Aus 22%, Benelux 20%, UK/Ire 14%, It 9%, Switz 8%, Iberia 3%, Other 1%. AM 64%, OI 16%, Bks/PB 11%, Ins 6%, Other 3%.
MS+100 area, MS+80/85	0	>€1.5bn	Baa3/BBB-/BBB	GCs Barc/DB, JBs BPI/Haitong/ ICBCStandard/BCP	-
MS+145/155, MS+145 area	-10	SFr180m, 85 acs	ZKB A-/CS High BBB/UBS A/Vont BBB+	CS/UBS/ZKB	Switz 100%. AM 48%, PB 43%, PF 5%, Ins 3%, Tsy 1%.
100.5	-	-	ZKB A/CS A/fedafin A.	ZKB	-
MS+145/155	0	SFr125m, 74 acs	CS Mid BBB/ZKB BBB+/UBS BBB+/ VT BBB-	CS/UBS/ZKB	Switz 96%, Other 4%. PB 58%, AM 32%, PF 5%, Ins 3%, Tsy 2%.
-	-	-	-/A-	HCM	-
-	-	-	-	Swed	-
MS+59	-	-	A2/A/A-	CBA/TD	-
OTC+108 (+/-5)	-	-	-/BBB/-/BBB	BMO/CIBC/RBC/TD	-
OTC+145 (+/-5)	-	-	-/BBB/-/BBB	BMO/CIBC/RBC/TD	-
-	-	-	-/A-	Danske	-
OTC+73 (+/-3)	-	-	A2/A/A/A	RBC/TD	-
-	-	-	A3	HCM	-
T+hi 50s area, T+48 (the #)	1	US$1.4bn	A1/A+/AA-	BAML/BNPP/Citi/GS/Scotia	-
L equiv, L equiv	FRN	US$700m	A1/A+/AA-	BAML/BNPP/Citi/GS/Scotia	-
T+160 area, T+145 (+/-5)	2	US$7bn	Baa2/BBB+/A-	CS	-
T+140 area, T+120 (+/-5)	0	US$4.2bn	Baa1/BBB/BBB	BAML/Barc/Citi/GS/IMI/JPM/MS	-
T+175 area, T+155 (+/-5)	3	US$3.7bn	Baa1/BBB/BBB	BAML/Barc/Citi/GS/IMI/JPM/MS	-
T+185 area, T+165 (+/-5)	3	US$2.7bn	Baa1/BBB/BBB	BAML/Barc/Citi/GS/IMI/JPM/MS	-
T+80/85, T+70 (+/-5)	3	US$2.25bn	A2/A/A	GS/HSBC/JPM/MS/Natx	-
T+105/110, T+95 (+/-5)	3	US$2.25bn	A2/A/A	GS/HSBC/JPM/MS/Natx	-
T+70 area, T+60 (+/-2)	1	US$900m	Aa2/AA+	DB/JPM/MS	-
T+65 area, T+55 (+/-2)	2	US$1.3bn	Aa3/AA-/AA-	Citi/CS/HSBC/MS/NAB	-
3mL equiv, 3mL equiv	FRN	US$1bn	Aa3/AA-/AA-	Citi/CS/HSBC/MS/NAB	-
T+Hi 70s, T+65 (the #)	3	US$1.2bn	Aa3/AA-/AA-	Citi/CS/HSBC/MS/NAB	-

GLOBAL BOND SUMMARY DETAILS: WEEK ENDING 12/1/2018 (CONTINUED)

Pricing date	Issuer	Amount	Maturity	Coupon (%)	Reoffer	Spread (bp)	Yield (%)
Jan 8 2018	National Australia Bank	US$500m	Apr 12 2023	3mL+60	100	3mL+60	3mL+60
Jan 9 2018	ABN AMRO Bank	US$1.1bn	Jan 19 2021	2.65	99.94	T+60	2.671
Jan 9 2018	ABN AMRO Bank	US$750m	Jan 19 2021	3mL+41	100	3mL+41	3mL+41
Jan 9 2018	Sumitomo Mitsui Banking Corp	US$1.25bn	Jan 17 2020	2.514	100	T+55	2.514
Jan 9 2018	Sumitomo Mitsui Banking Corp	US$750m	Jan 17 2020	3mL+35	100	3mL+35	3mL+35
Jan 9 2018	Sumitomo Mitsui Financial Group	US$1.5bn	Jan 17 2023	3.102	100	T+78	3.102
Jan 9 2018	Sumitomo Mitsui Financial Group	US$500m	Jan 17 2023	3mL+74	100	3mL+74	3mL+74
Jan 9 2018	Sumitomo Mitsui Financial Group	US$750m	Jan 17 2028	3.544	100	T+100	3.544
Jan 12 2018	La Mondiale (T2)	US$310m	Jan 18 2048 (Jan 2028)	4.8	100	T+223.5	4.8
EUROS							
Jan 8 2018	Lloyds (HoldCo)	€1.25bn	Jan 15 2024	0.625	99.364	MS+47, B+98.3	0.755
Jan 8 2018	Lloyds (HoldCo)	€250m incr (€1bn)	Sep 12 2027	1.5	100.616	MS+60, B+101.2	1.431
Jan 8 2018	BFCM	€1.5bn	Jul 17 2025	0.75	99.422	MS+23, B+73.2	0.83
Jan 9 2018	Santander (SNP)	€1.25bn	Jan 17 2025	1.125	99.786	MS+60, B+110.4	1.157
Jan 9 2018	Deutsche Bank (SNP)	€1.25bn	Jan 18 2021	0.375	99.934	MS+40, B+88.7	0.397
Jan 9 2018	Deutsche Bank (SNP)	€1.25bn	Jan 17 2028	1.75	99.185	MS+95, B+138.6	1.84
Jan 10 2018	Caixabank	€1bn	Apr 18 2023	0.75	99.559	MS+48, B+98.1	0.836
Jan 10 2018	CBA	€750m	Jan 10 2028	1.125	98.795	MS+33, B+77.6	1.254
Jan 11 2018	UniCredit (SNP)	€1.5bn	Jan 18 2023	1	99.651	MS+70, B+119.3	1.072
Jan 11 2018	Banca MPS (T2)	€750m	Jan 18 2028 (Jan 2023)	5.375	100	MS+500.5	5.375
Jan 12 2018	Islandsbanki	€300m	Jan 19 2024 (Jan 2023)	1.125	99.899	MS+75, B+125.2	1.146
STERLING							
Jan 8 2018	Barclays (HoldCo)	£250m incr (£1.2bn)	Jan 17 2024	3.125	103.811	G+145	2.42
Jan 8 2018	Barclays (HoldCo)	£1.25bn	Jan 17 2033	3.25	99.845	G+170	3.237
Jan 9 2018	Deutsche Bank (SNP)	£300m	Dec 16 2021	1.75	99.651	G+120	1.835
Jan 10 2018	BFCM	£450m	Dec 20 2021	1.375	99.872	G+75	1.404
SWISS FRANCS							
Jan 11 2018	Freiburger KB	SFr200m	Feb 20 2026	0.2	100.179	MS+3, Eidg+46	0.177
Jan 11 2018	KB Tessin / Banco Dello Stato Del Cantone Ticino	SFr230m	Feb 8 2028	0.375	100.25	MS+4.2, Eidg+49.1	0.349
NON CORE							
Jan 8 2018	Westpac	Rmb500m	Jan 19 2021	4.35	100	-	4.35
Jan 9 2018	ANZ	A$1.25bn	Jan 18 2021	3mBBSW+58	100	3mBBSW+58	-
Jan 9 2018	ANZ	A$1.325bn	Jan 18 2023	3mBBSW+77	100	3mBBSW+77	-
Jan 9 2018	ANZ	A$425m	Jan 18 2023	3.1	99.862	ASW+77	3.13
Jan 9 2018	Manulife Bank of Canada	C$500m	Jan 12 2023	2.844	100	OTC+84	2.844
Jan 9 2018	Landshypotek Bank	SKr500m	Jan 17 2020	3mSt+100	-	-	-
Jan 9 2018	Swedbank	SKr400m	Jul 16 2020	3mSt+100	102.135	3mSt+16	-

Pricing steps	NIP (bp)	Book size	Ratings	Bookrunners	Distribution
3mL equiv, 3mL equiv	FRN	US$1.2bn	Aa3/AA-/AA-	Citi/CS/HSBC/MS/NAB	-
T+low 70s, T+60 (the #)	0	US$1.8bn	A1/A/A+	BAML/Barc/Citi/DB/WFS	-
3mL equiv, 3mL+41 (the #)	FRN	US$1.2bn	A1/A/A+	BAML/Barc/Citi/DB/WFS	-
T+70 area, T+60 (+/-5)	5	US$1.5bn	A1/A	Citi/GS/JPM/SMBC	-
3mL equiv, 3mL equiv	FRN	US$1.9bn	A1/A	Citi/GS/JPM/SMBC	-
T+95/100, T+80 (+/-2)	3	US$2.7bn	A1/A-	Citi/GS/JPM/SMBC	-
3mL equiv, 3mL equiv	FRN	US$1.3bn	A1/A-	Citi/GS/JPM/SMBC	-
T+115 area, T+105 (+/-5)	2	US$1.7bn	A1/A-	Citi/GS/JPM/SMBC	-
5% area, 4.875% area, 4.8%	-	>US$600m	-/BBB	CS/DB	-
MS+55/60, MS+50 area	5	c.€2bn	A3/BBB+/A+	Lloyds	-
MS+65 area	-	c.€375m	A3/BBB+/A+	Lloyds	-
MS+35 area, MS+25 (+/-2)	3	>€2.1bn, >140 acs	Aa3/A/A+	BNPP/HSBC/NatWest/UBS	Ger/Aus 24%, Fr 21%, UK/Ire 13%, Benelux 13%, Asia/ME 12%, Nordics 10%, Switz 5%, S.Eur 2%. AM 51%, CB/OI 17%, Bks/PB 16%, Ins/PF 15%, Other 1%.
MS+70 area	-	>€2.25bn	Baa1/BBB+/A-	Medio/NatWest/Nomura/Santan/Uni	-
MS+50 area	5	-	Baa2/BBB-/BBB+	DB	-
MS+110 area	10	-	Baa2/BBB-/BBB+	DB	-
MS+60 area, MS+50 (+/-2)	5	>€2.2bn	Baa2/BBB/BBB/AL	Caixa/CS/DB/SG/UBS	UK/Ire 30%, Ger/Aus 16%, Fr 18%, Benelux 7%, Iberia 18%, Switz 3%, It 5%, Nordics 1%, Other 2%.AM 79%, Bks/PB 12%, Ins/PF 8%, OI 1%.
MS+low 40s, MS+35 (+/-1)	5	>€1.2bn	Aa3/AA-/AA-	Barc/CBA/Citi/CS	-
MS+high 80s, MS+75 area	-	>€4.1bn	Baa3/BBB-/BBB	ING/JPM/Santan/SG/UBS/Uni	-
5.75% area, 5.375%/5.5%, 5.375%	-	>€2.7bn, c.250 acs	Caa2/-/CCC+	GCs GS/Medio, JBs BAML/Barc/JPM/MPS/UBS	UK 52%, It 25%, Ger/Aus/Switz 9%, Nordic 3%, Fr 2%, Benelux 2%, Sp/Port 1%, Asia 1%, Other 5%. FM 52%, HF 29%, Bks/PB 15%, Ins 3%, Other 1%.
MS+90 area, MS+75/80	2	>€1.2bn	-/BBB+	GS/JPM/Nomura	-
G+145 area (I), G+145 area (G)	-	-	Baa2/BBB/A	Barc	-
G+185 area, G+175 area	15	-	Baa2/BBB/A	Barc	-
G+125 area	5	-	Baa2/BBB-/BBB+	DB	-
G+80 area	-	>£560m	Aa3/A/A+	GS/HSBC	UK 83%, Switz 9%, Asia 5%, RoEur 3%. AM 79%, Ins/PF 9%, CB/OI 8%, Bks 4%.
MS+3 area	-	-	ZKB AA+	FreiKB	-
MS+4.2 area	-	-	Aa2 (gtee)	CS	Switz 100%. Bks 36.64%, AM 28.47%, Ins 18.8%, PF 16.09%.
4.35%	-	-	Aa3/AA-	StCh	-
3mBBSW+60 area	-	-	Aa3/AA-/AA-	ANZ	-
3mBBSW+80 area	-	-	Aa3/AA-/AA-	ANZ	-
ASW+80 area	-	-	Aa3/AA-/AA-	ANZ	-
OTC+87 (+/-3)	-	-	-/A+/-/AH	BMO/RBC/TD	-
-	-	-	-/A-/A	Swed	-
-	-	-	Aa3/AA-	Swed	-

GLOBAL BOND SUMMARY DETAILS: WEEK ENDING 12/1/2018 (CONTINUED)

Pricing date	Issuer	Amount	Maturity	Coupon (%)	Reoffer	Spread (bp)	Yield (%)
Jan 9 2018	Landshypotek Bank	SKr300m incr (SKr800m)	Jan 17 2020	3mSt+100	-	-	-
Jan 10 2018	LeasePlan	SKr125m incr (SKr375m)	Jan 11 2021	0.6	-	-	-
Jan 11 2018	LF Bank	SKr500m incr (SKr1.8bn)	Dec 29 2020	3mSt+110	-	-	-
COVERED BONDS							
EUROS							
Jan 8 2018	Crédit Agricole Home Loan SFH	€1.25bn	Jan 19 2026	0.5	99.496	MS-10, B+35.9	0.564
Jan 8 2018	UBI Banca	€500m	Jul 15 2024	0.5	99.473	MS+10, B+58.3, BTP-69.2	0.583
Jan 8 2018	UBI Banca	€500m	Jan 15 2030	1.25	98.932	MS+30, B+92.5, BTP-94.5	1.347
Jan 9 2018	Erste Bank Group	€1bn	Jan 17 2028	0.75	99.512	MS-6, B+38.6	0.801
Jan 9 2018	Caffil	€1bn	Jan 19 2026	0.5	99.54	MS-10, B+41	0.559
Jan 9 2018	Caffil	€500m	Jan 19 2033	1.125	98.421	MS flat, B+58.6	1.241
Jan 10 2018	SG SFH	€750m	Jan 19 2028	0.75	99.197	MS-9, B+35.9	0.834
Jan 11 2018	Nord/LB	€1bn	Jan 18 2028	0.75	98.818	MS+8, B+36.2	0.874
Jan 12 2018	BNS	€1bn	Jan 22 2025	0.5	99.262	MS-4, B+39.9	0.608
STERLING							
Jan 11 2018	Westpac	£500m	Jan 18 2023	3mL+24	100	3mL+24	-
SWISS FRANCS							
Jan 9 2018	PSHypo	SFr310m incr (SFr756m)	Nov 14 2024	1.375	109.289	MS-1, Eidg+38.1	0.012
Jan 9 2018	PSHypo	SFr423m incr (SFr6236m)	Oct 12 2027	0.25	100.235	MS-2, Eidg+36.7	0.225
Jan 9 2018	PSHypo	SFr100m incr (SFr450m)	Jan 23 2037	0.625	100.577	MS-3, Eidg+35.3	0.593
Jan 9 2018	PSHypo	SFr200m incr (SFr400m)	Sep 23 2043	0.375	93.026	MS-4, Eidg+35.3	0.672
HIGH YIELD							
US DOLLARS							
Jan 8 2018	L Brands Inc	US$500m	Feb 1 2028	5.25	100	T+277	5.25
Jan 9 2018	Sunoco Logistics	US$400m	Mar 15 2028	5.875	100	T+334	5.875
Jan 9 2018	Sunoco Logistics	US$800m	Feb 15 2026	5.5	100	T+299.6	5.5
Jan 9 2018	Sunoco Logistics	US$1bn	Jan 15 2023	4.875	100	T+255	4.875
Jan 9 2018	Ingevity Corporation	US$300m	Feb 1 2026 (Feb 2021)	4.5	100	T+199	4.5
Jan 10 2018	Aramark Services	US$1.15bn	Feb 1 2028 (Feb 2023)	5	100	-	5
Jan 11 2018	ARD Securities Finance SARL (Ardagh)	US$350m	Jan 31 2023	8.75	100	T+641	8.75
Jan 11 2018	Ensco Plc	US$1bn	Feb 01 2026	7.75	100	T+524	7.75
STERLING							
Jan 11 2018	ZPG (Zoopla)	£200m	Jul 15 2023 (Jan 2020)	3.75	100	G+280	3.75
NON CORE							
Jan 11 2018	Aker Solutions	NKr1.5bn	Jul 25 2022	3mN+315	100	3mN+315	-
Jan 11 2018	Kungsleden	SKr250m	Jan 18 2021	3mSt+180	100	3mSt+180	-
Jan 11 2018	Kungsleden	SKr600m	Jul 18 2019	0.95	99.942	-	0.95

Pricing steps	NIP (bp)	Book size	Ratings	Bookrunners	Distribution
-	-	-	-/A-/A	Swed/DNB	-
-	-	-	Baa1/BBB-/BBB+	Swed	-
-	-	-	A1/A	Swed	-
MS-6 area, MS-9 area	4	>€1.75bn, 65 acs	Aaa/AAA/AAA	CA-CIB/Danske/NordLB/Santan/SG/WFS	Fr 37%, Ger/Aus 33%, Nordics; 12%, Benelux 8%, Asia 5%, UK/Ire 3%, Other 2%. CB/OI 56%, AM 21%, Ins 14%, Bks 9%.
MS+10 area	6	c.€650m	Aa2/-/-/AAL	Barc/BNPP/ING/LBBW/RBI/Uni	Ger/Aus 47%, It 35%, Fr 12%, Switz 3%, Other 3%. AM/HF 48%, CB/OI 36%, Bks/PB 11%, Ins 5%.
MS+30 area	8	c.€600m	Aa2/-/-/AAL	Barc/BNPP/ING/LBBW/RBI/Uni	It 52%, Ger/Aus 34%, Fr 6%, Nordics 5%, Switz 2%, Others 1%. CB/OI 47%, AM/HF 33%, Ins 12%, Bks/PB 8%.
MS-2 area, MS-5 (+/-1)	2	>€1.75bn, c.100 acs	Aaa	CA-CIB/CS/DZ/Erste/LBBW	Ger 51%, Aus 31%, Benelux 6%, Asia 4%, Nordics 3%, Other 5%. Bks 37%, CB/OI 31%, Ins 22%, AM 10%.
MS-7 area, MS-9 area	4	>€1.5bn	Aaa/AA+/AA	Barc/DB/Natx/SG/Uni	Fr 47%, Benelux 16%, Ger/Aus 12%, Scandi 11%, Asia 9%. CB/OI 44%, Bks/Tsy 41%, AM 14%, Ins 1%.
MS+5 area, MS+2 area	2	>€1bn	Aaa/AA+/AA	Barc/DB/Natx/SG/Uni	Ger/Aus 66%, Fr 12%, Benelux 9%. Ins 39%, CB/OI 36%, Bks/Tsy 20%, AM 5%.
MS-5 area, MS-7 area	4	>€1.5bn, 53 acs	Aaa/-/AAA	IMI/Danske/ING/LBBW/SG/Uni	Ger/Aus 50%, Fr 41%, Switz 4%, Asia 2%, Other 3%. CB/OI 39%, Ins/PF 24%, Bks 22%, FM 15%.
MS-6 area, MS-8 (+/-1)a	2	>€1.25bn, >50 acs	Aa1	BLB/Natx/NordLB/Santan/Uni	-
MS flat area, MS-3 (+/-1)	2	>€1.4bn	Aaa/-/AAA/AAA	BNPP/CS/LBBW/Scotia/UBS	-
3mL+27 area	1	>£575m	Aaa/-/AAA	HSBC/Nomura/RBC/Westpac	-
MS-1 area	-	-	Aaa	CS/Raif/UBS	-
MS-2 area	-	-	Aaa	CS/Raif/UBS	-
MS-3 area	-	-	Aaa	CS/Raif/UBS	-
MS-4 area	-	-	Aaa	CS/Raif/UBS	-
5.25%/5.5%	-	-	Ba1/BB+/BB+	BAML/Citi/HSBC/JPM/WFS	-
5.75%/6%	-	-	B1/BB-	CS/RBC/BAML/BBVA/Miz/Natx/TD/GS/DB/MS/PNC/CA-CIB/Citi/SMBC/MUFG	-
5.5%/5.75%	-	-	B1/BB-	CS/RBC/BAML/BBVA/Miz/Natx/TD/GS/DB/MS/PNC/CA-CIB/Citi/SMBC/MUFG	-
5%/5.25%	-	-	B1/BB-	CS/RBC/BAML/BBVA/Miz/Natx/TD/GS/DB/MS/PNC/CA-CIB/Citi/SMBC/MUFG	-
-	-	-	Ba3/BB	BAML/WFS/JPM	-
5%/5.25%	-	-	Ba3/BB	GS/JPM/MS/Barc/BAML/WFS/TD/COSC	-
8.75%/9%	-	-	Caa2/B-	Citi/CS	-
8% area	-	-	B2/BB-	BAML/BNPP/DNB/HSBC/MS	-
4% area, 3.75%/4%	-	-	Ba3/BB-	GCs HSBC/Lloyds, JBs Barc/CS/NatWest	-
3mN+325 area	-	-	-	DNB/Nordea/SEB/Swed	-
-	-	-	Ba1	Danske	-
-	-	-	Ba1	Danske	-

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FRONT STORY PRIMARY MARKETS

EM sweeps aside Treasury sell-off

Supply flies even as Treasury yields leap

A sell-off in Treasuries last week saw 10-year yields leap to their highest since March but the move was swept aside by nearly three dozen emerging markets borrowers, who raised more than US$30bn between them.

The 10-year yield jumped 13bp in the first of half of the week, peaking at just under 2.60% on Wednesday following news that the Bank of Japan will cut purchases of long-end JGBs and that China may slow its buying of Treasuries - a story that China later denied.

That denial led to a bit of recovery with yields back down to 2.54% by Friday morning although the convulsions in the rates market led some commentators - most notably Bill Gross - to proclaim the beginning of the end of the bond market's bull run.

But while the total return from Treasuries is on course for the worst January since 2009, according to Bank of America Merrill Lynch, credit markets continue on their merry way.

Emerging markets supply kicked into high gear last week as 34 issuers across the globe raised funds in either US dollars or euros. Deals also took place in niche markets such as Swiss francs, Australian dollars and offshore renminbi.

Bankers said the supply spree was down to the wall of cash that investors need to deploy. "The liquidity available is ridiculous right now," said one banker in London.

Emerging markets bond funds received US$3.6bn of inflows last week, the second-largest on record, according to Bank of America Merrill Lynch and EPFR Global.

That meant deals saw plenty of demand despite the volatile backdrop. TURKEY was able to get a peak book in excess of US$7bn, OMAN US$15bn, ISRAEL over US$18bn, and even MACEDONIA more than €3.5bn.

A second banker said the market is more resilient to shocks than before with big investors that never used to be on the emerging markets radar now involved in the asset class. "There's proper institutional money underpinning it."

He said that while the recent rates moves have had an impact on ETFs, real money accounts have been less affected because they are "just sitting on the sidelines waiting for deals; they are not so active in the secondary".

Unless rates shoot up significantly higher, potentially making borrowing costs prohibitively expensive, nothing is likely to derail primary supply in the coming months.

And while central bank policy remains largely accommodative, albeit not as loose as before, bankers say it's difficult to see what could push Treasury yields higher on a sustainable basis.

Perhaps it will be the equity markets that lead to a change in sentiment. "One frequently asked question is 'what level of bond yields will cause equity markets to fall?'," said BAML analysts. "Better question is 'what level in [S&P 500] causes Fed to start hiking 50bp?'… it's not 2767."

Sudip Roy

Ecuador bonds fall on debt probe

Audit taking place as battle for country's direction ensues

ECUADOR bonds moved lower last week after news that the country's comptroller's office will audit debt issued in the last five years of the administration of former president Rafael Correa.

Traders were spotting the sovereign's bond prices anywhere between a half to a full point weaker on Tuesday following the news.

By Friday, the most recently issued 8.875% 2027s had fallen about two points on the week to 109.50, while the 9.625% 2027 - which printed in May, just as new president Lenin Moreno assumed office - dropped in a similar manner to 114.07.

"The sell-off in Treasuries isn't helping matters, but there have been better sellers of Ecuador," said one trader.

This comes as political risks rise in the Andean country where Moreno and Correa are undergoing a very public battle over the direction of the ruling party.

Former vice president Jorge Glas - a close ally of Correa - received a jail sentence late last year for receiving bribes form Brazilian construction company Odebrecht.

Moreno has also called for a February 4 referendum on constitutional reforms that will, among other things, prohibit unlimited presidential re-election - a move that Correa is campaigning against.

All this has delayed crucial economic reforms, which will depend on the outcome of the referendum and the government's ability to access external financing to cover about US$9bn needed this year, Fitch said.

A team of economists, lawyers and businessmen plan to examine debt issues carried out between January 2012 and May 2017 before making a recommendation in April, Reuters reported.

The news recalled memories of when Correa himself deemed certain bonds illegitimate in 2008 before selectively defaulting.

"At first glance it is a scary headline, but I don't think it is relevant in terms of comparisons to Correa's debt legitimacy campaign in 2008," said Siobhan Morden, head of Latin America strategy at Nomura.

"The intention is to improve transparency and expose corruption during the Correa era."

Even so the news doesn't help a sovereign that still relies heavily on the international capital markets for its funding needs.

Last year, the oil exporting nation raised US$5.5bn through four separate issues, and it is expected to come to market again early this year.

"They have been one of the more frequent sovereign issuers over the last few years," said one banker.

"Oil is trading well and the market tone is supportive. Along with other frequent issuers, I would expect it to come to market early (this year)."

Morden calculates that the country's foreign reserves stand at US$2.4bn - near recent lows - and as a result Ecuador will have to access the capital markets.

"From a financing cashflow perspective, they need to come soon," she said.

Paul Kilby

ASIA-PACIFIC

CHINA

LONGFOR SETS TONE FOR PROPERTY

LONGFOR PROPERTIES, rated Baa3/BBB–/BBB, on Monday attracted a huge US$6bn order book across two tranches of bonds, as the year's first new offshore issue from a Chinese property company showed demand for the sector remained strong.

A US$300m 3.9% 5.25-year tranche was priced at 99.699 to yield 3.965%, equivalent to Treasuries plus 168bp, 32bp inside initial guidance. A US$500m 4.5% 10-year piece was priced at 99.793 to yield 4.526%, or Treasuries plus 205bp, 30bp tighter than initial guidance.

The shorter tranche drew orders of more than US$2.4bn from 180 accounts, while the 10-year attracted demand of more than US$3.6bn from 200 accounts. Total demand was said to have peaked at over US$7bn before price tightening.

The huge demand allowed Longfor to print inside its curve, as its 2022 bonds were quoted at a G spread of 173bp, meaning the new 5.25-year issue was priced 5bp tighter. It also used up its entire US$800m offshore bond quota from China's National Development and Reform Commission.

"There is a lot of positive buzz around the name and investors can see it is clearly on an upward rating trajectory," said a source close to the deal.

The notes have expected ratings of Baa3/BBB (Moody's/Fitch). In December, Moody's upgraded Longfor's senior unsecured bond rating to Baa3 from Ba1, while Fitch on January 4 moved it up to BBB from BBB–.

This was the first new issue from a Chinese property developer this year, following Guangzhou R&F Properties' US$100m tap on January 4, and prompted three of its peers – Times Property, Country Garden and Tahoe Group – to begin bookbuilding last Tuesday (see Top News for more).

Asian investors bought 85% of the 5.25-year Reg S notes, EU accounts took 14% and offshore US investors took 1%. In terms of investor types, 66% were fund managers, 22% were banks, 6% were insurers, and 3% each were sovereign wealth funds and private banks.

Asian investors booked 89% of the 10-year, EU accounts took 10% and offshore US investors took the remainder. Fund managers bought 64%, banks 16%, insurers 9%, SWFs 7% and private banks 4%.

Goldman Sachs, *Haitong International*, *Morgan Stanley*, *HSBC* and *Citigroup* were joint global coordinators and bookrunners on the trade. The bonds were around 5bp tighter in Tuesday morning trading.

The Chinese property developer plans to use proceeds to redeem its US$500m of 6.75% notes due 2023.

ALL INTL EMERGING MARKETS BONDS
BOOKRUNNERS: 1/1/2018 TO DATE

Asia-Pacific

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	HSBC	12	1,322.18	9.3
2	Bank of China	8	914.91	6.5
3	Deutsche Bank	6	887.83	6.3
4	Goldman Sachs	5	877.45	6.2
5	BAML	3	793.45	5.6
6	Morgan Stanley	4	705.26	5.0
7	MUFG	4	611.47	4.3
8	JP Morgan	2	568.88	4.0
=8	BNP Paribas	2	568.88	4.0
10	Mizuho	3	519.87	3.7
	Total	**23**	**14,178.47**	

Excluding equity-related debt.

Source: Thomson Reuters SDC code: L4

YINGDE GASES DOES US$500m PRINT

YINGDE GASES GROUP has priced US$500m of 6.25% five-year non-call three senior bonds at 99.788 to yield 6.30%, 45bp tighter than initial guidance of 6.75% area.

The Chinese industrial gases supplier drew orders of US$1.7bn from 101 accounts for its first international bonds since delisting in Hong Kong last year.

Asia took 51% of the 144A/Reg S notes, North America 31% and Europe 18%. In terms of investor types, 83% were fund managers, 13% insurers and pension funds, 3% banks, and 1% others.

Rating agencies expect Yingde's bond sale to help it refinance its debt and stabilise its liquidity position.

ALL INTL EMERGING MARKETS BONDS
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Citigroup	12	4,554.65	14.0
2	HSBC	16	4,024.63	12.4
3	Deutsche Bank	9	2,358.53	7.3
4	Standard Chartered	8	2,020.81	6.2
5	Goldman Sachs	8	1,986.05	6.1
6	Sumitomo Mitsui Finl	3	1,810.52	5.6
7	BAML	6	1,165.05	3.6
8	Morgan Stanley	7	1,063.68	3.3
9	JP Morgan	6	1,005.57	3.1
10	Bank of China	8	914.91	2.8
	Total	**35**	**32,439.93**	

Excluding equity-related debt.

Source: Thomson Reuters SDC code: L1

Moody's has placed Yingde's B3 rating on review for an upgrade to B1. It has assigned a Caa1 rating to the notes and placed them on review for an upgrade to B2.

S&P has placed its CCC+ rating on Yingde on CreditWatch with positive implications and has assigned a preliminary B rating to the notes.

Fitch has a B+ rating on Yingde and has an expected B+ on the notes.

Yingde terminated its Hong Kong listing on August 21 after accepting a buyout offer from private-equity firm PAG Asia Capital.

Proceeds from the bonds will be used to refinance offshore debt, including the outstanding US$391m of 8.125% notes due in April 2018 issued in 2013 and a loan from PAG, as well as for other general corporate purposes.

Research firm Lucror Analytics has a buy call on the newly priced bonds, as they provide a yield pick-up of about 80bp over the 7.25% 2020s.

However, Lucror is also concerned that PAG may adopt aggressive financial policies to fund shareholder returns given the weak indenture, which allows moderate debt headroom under its covenants. Moreover, Yingde's disclosures may be inadequate due to its private nature, it adds.

Yingde's new bonds were quoted at 100.00/100.20 early on Friday morning, according to a bond trader.

Deutsche Bank and *Morgan Stanley* were joint global coordinators on the issue, as well as joint lead managers and joint bookrunners with *China Citic Bank International*.

CICC LIFTS MTN SIZE TO US$3bn

Investment bank CHINA INTERNATIONAL CAPITAL CORP (CICC) has increased to US$3bn from US$2bn the size of its guaranteed medium-term notes programme.

CICC Hong Kong Finance 2016 MTN is the issuer on the programme and China International Capital Corp (Hong Kong) is the guarantor. The programme also has the benefit of a keepwell deed from parent CICC.

Citigroup, *Standard Chartered Bank* and the issuer's own syndication team are the joint arrangers on the programme. The trio are also dealers with *Agricultural Bank of China Hong Kong branch*, *ABC International*, *Bank of Communications China*, *Construction Bank (Asia)*, *Goldman Sachs*, *HSBC*, *Industrial Bank Hong Kong branch*, *ICBC (Asia)*, *OCBC Bank* and *Wing Lung Bank*.

The MTN programme is listed on the Stock Exchange of Hong Kong.

GEELY HIRES FOUR FOR DOLLARS

GEELY AUTOMOBILE HOLDINGS, rated Ba1/BBB– (Moody's/S&P), has hired four banks for a proposed offering of US dollar Reg S bonds.

It will start meeting investors in Hong Kong, Singapore and London from Monday, having named *Barclays*, *BNP Paribas*, *Deutsche Bank* and *UBS* as joint global coordinators, joint bookrunners and joint lead managers.

The Chinese automaker plans to use the proceeds for debt refinancing, as well as for business development and other general corporate purposes.

The proposed senior unsecured bonds have an expected BBB– rating from S&P, on par with the issuer.

Geely last Tuesday issued a positive profit alert, saying it expected to record net profit growth of about 100% for 2017, thanks to a rise in sales volume and an improvement in its product mix during the year.

FOUNDER HIRES FOR DOLLAR SENIOR

PEKING UNIVERSITY FOUNDER GROUP has mandated four banks for a proposed offering of US dollar Reg S senior unsecured bonds.

Bank of China, *Barclays*, *DBS Bank* and *Founder Securities (Hong Kong)* are joint global coordinators, joint lead managers and joint bookrunners.

The state-owned conglomerate will meet investors in Singapore and Hong Kong, starting Monday.

The issuer of the proposed unrated notes will be Nuoxi Capital and the guarantor will be Hongkong JHC, a 94.17%-owned subsidiary of Founder Group.

The notes will also have the benefit of a keepwell deed and a deed of equity interest purchase undertaking from Founder Group.

Founder Group is a 70%-owned subsidiary of Peking University and 30%-owned under Beijing Zhaorun Investments Management, a holding company of the group's employees. It has businesses in information technology, healthcare and pharmaceuticals, finance and securities, bulk commodities trading, education and training.

ICBC SUPPORTS JINJIANG ISSUE

China's JINJIANG INTERNATIONAL HOLDING hired *ICBC*, *BNP Paribas* and *Credit Agricole* as joint global coordinators and joint bookrunners with *HSBC* and *Standard Chartered*, to arrange investor meetings in Hong Kong, Singapore and Europe from January 11.

An offering of euro-denominated Reg S benchmark senior unsecured credit-enhanced bonds will follow, subject to market conditions.

Triceratops Capital, a wholly owned subsidiary of the company, will issue the bonds, which will have a keepwell deed from Jinjiang International. Payments of principal and interest will be backed by a euro-denominated standby letter of credit from ICBC, Shanghai branch.

The bonds are expected to score an A1 rating from Moody's.

SUNNY OPTICAL EYES DOLLAR ISSUE

SUNNY OPTICAL TECHNOLOGY (GROUP), a maker of lenses for smartphone cameras, has hired three banks for a proposed offering of US dollar Reg S senior unsecured bonds.

Citigroup and *UBS* are joint global coordinators, as well as joint bookrunners and joint lead managers with *BNP Paribas*.

The Hong Kong-listed company began meeting investors in Hong Kong, Singapore and London on January 11.

Sunny Optical is a Baa2 (stable) credit to Moody's and its proposed notes have an expected similar rating.

The company intends to use the proceeds for capital expenditure, working capital, debt refinancing and other general corporate purposes.

BOCOM LEASING PLANS DOLLAR SENIOR

BANK OF COMMUNICATIONS FINANCIAL LEASING, rated A–/A (S&P/Fitch), has hired eight banks for a potential offering of US dollar senior bonds.

Bank of Communications, *BoCom International*, *Agricultural Bank of China*, Hong Kong branch, *BNP Paribas*, *China International Capital Corp*, *HSBC*, *MUFG* and *Westpac* are joint bookrunners and joint lead managers.

The Chinese leasing firm will meet investors in Hong Kong, Singapore and London, starting Monday.

The proposed notes will be issued in the name of Azure Orbit IV International Finance with BoCom Leasing Management Hong Kong as guarantor. The notes will also have the benefit of a keepwell and asset purchase deed from BoCom Financial Leasing and BoCom Leasing International Finance.

The issuer, guarantor, and the two keepwell providers are all ultimately wholly owned subsidiaries of Bank of Communications.

The Reg S notes have expected ratings of A–/A (S&P/Fitch).

GUANGXI FINANCIAL MEETS INVESTORS

GUANGXI FINANCIAL INVESTMENT GROUP, with a Ba1 (stable) rating from Moody's, has named *CCB International*, *CEB International*, *ICBC (Asia)* and *Guotai Junan International* as joint global coordinators, joint lead managers and joint bookrunners for a US dollar Reg S offering.

The joint lead managers and joint bookrunners are *Mizuho Securities*, *Natixis*, *GF Securities*, *SPDB International*, *BoCom International*, *China Securities International* and *Bank of Communications*. *Cantor Fitzgerald (Hong Kong) Capital Markets* is joint lead manager.

EXOTIC DEBT PRICES: 11/1/2018

	Bid	Offer
Americas		
Cuba (€)	19.00	20.00
Cuba (¥)	18.00	20.00
Guyana/PD–trade	80.00	90.00
Honduras trade	30.00	40.00
Nicaragua/Loans	16.00	19.00
Suriname trade	10.00	12.00
Africa		
Angola	99.25	100.25
Benin	10.00	15.00
Burkina-Faso	8.00	10.00
Cameroon trade	22.00	32.00
Cape Verde trade	75.00	85.00
Central African Rep trade	0.50	1.50
Congo/trade	25.00	30.00
Congo (Dem Rep)	3.75	6.75
Cote d'Ivoire	101.25	103.25
Equatorial Guinea trade	85.00	90.00
Ethiopia	2.00	4.00
Gabon PD-Trade	70.00	78.00
Ghana	88.00	92.00
Guinea-Bissau trade	7.00	10.00
Guinea	8.00	13.00
Kenya trade	45.00	55.00
Liberia PD trade	9.00	12.00
Madagascar (trade)	27.00	34.00
Mali PD trade	2.00	6.00
Mozambique (trade)	6.00	12.00
Senegal	24.00	26.00
Sierra Leone PD-trade	1.00	5.00
Tanzania	12.00	16.00
Uganda trade	16.00	18.00
Zambia PD-trade	15.00	22.00
Asia		
Bangladesh	70.00	80.00
Cambodia trade	6.00	12.00
Mongolia	27.00	38.00
Myanmar trade	27.00	32.00
Nepal trade	13.00	16.00
North Korea/Loans	0.05	2.00
Papua New Guinea	85.00	95.00
Vietnam	102.00	103.00

Source: Wesbruin Capital

The firm held meetings with fixed-income investors in Hong Kong and Singapore starting early last week for the senior unsecured bonds. The proposed offering will be rated on par with the issuer.

TWO COMPANIES MEET BOND INVESTORS

Two Shenzhen-listed Chinese companies will hold non-deal fixed income roadshows this week via *Guotai Junan International*, according to two market sources.

BEIJING SANJU ENVIRONMENTAL PROTECTION & NEW MATERIAL, which produces energy and environmental protection products, will meet investors in Hong Kong on January 15–16.

Meanwhile, JIANGSU ZHONGNAN CONSTRUCTION GROUP, a real estate development and

GLOBAL EMERGING MARKETS BOND DETAILS: WEEK ENDING 12/1/2018

Pricing date	Issuer	Amount	Maturity	Coupon (%)	Reoffer	Spread (bp)	Yield (%)
Jan 8 2018	Longfor	US$300m	Apr 16 2023	3.9	99.699	T+168	3.965
Jan 8 2018	Longfor	US$500m	Jan 16 2028	4.5	99.793	T+205	4.526
Jan 8 2018	JSL	US$300m incr (US$625m)	Jul 26 2024	7.75	105.207	-	6.75
Jan 9 2018	Mexico	€1.5bn	Apr 17 2028	1.75	99.817	MS+85, B+131	1.77
Jan 9 2018	UOB (Covered bond)	€500m	Jan 16 2025	0.5	99.412	MS+2, B+52.8	0.586
Jan 9 2018	TSKB	US$350m	Jan 16 2023	5.5	99.535	MS+325, T+329.2	5.608
Jan 9 2018	Turkey	US$2bn	Feb 17 2028	5.125	99.411	T+266.7	5.2
Jan 9 2018	Puma Energy	US$750m	Jan 24 2026 (Jan 2021)	5	100	MS+253.5	5
Jan 9 2018	Wharf REIC	US$600m	Jan 17 2028	3.5	99.258	T+110	3.589
Jan 9 2018	Country Garden	US$250m	Jan 17 2023 (Jan 17 2021)	4.75	100	-	4.75
Jan 9 2018	Country Garden	US$600m	Jan 17 2025 (Jan 17 2022)	5.125	99.565	-	5.2
Jan 9 2018	Times Property	US$500m	Jan 17 2021 (Jan 17 2020)	6.25	100	-	6.25
Jan 9 2018	Tahoe Group	US$200m	Jan 17 2021	7.875	99.672	-	8
Jan 9 2018	Tahoe Group	US$225m	Jan 17 2023	8.125	99.697	-	8.2
Jan 9 2018	Kasikornbank	US$400m	Jul 12 2023	3.256	100	T+94.5	3.256
Jan 10 2018	Hilong Holding	US$60m incr (US$310m)	Jun 22 2020	7.25	100	-	7.25
Jan 10 2018	International Container Terminal Services	US$350m	Perpetual (May 2022)	5.875	100	-	5.875
Jan 10 2018	BOSC International	US$500m	Jan 18 2021	3.125	99.654	T+115	3.247
Jan 10 2018	Lai Fung Holdings	US$350m	Jan 18 2023	5.65	100		5.65
Jan 10 2018	Zhongyuan Yuzi Investment Holding	US$300m	Jan 19 2021	3.75	99.733	T+175	3.845
Jan 10 2018	IL&FS Transportation Networks	Rmb900m	Jan 18 2021	7.5	98.688	-	8
Jan 10 2018	ADCB	SFr175m	Jan 23 2023	0.375	100.223	MS+44.75, Eidg+82	0.33
Jan 10 2018	Rumo	US$500m	Jan 15 2025 (Jan 2022)	5.875	99.294	-	6
Jan 10 2018	Israel	US$1bn	Jan 17 2028	3.25	99.291	T+75	3.334
Jan 10 2018	Israel	US$1bn	Jan 17 2048	4.125	99.098	T+125	4.178
Jan 10 2018	Oman	US$1.25bn	Jan 17 2023	4.125	99.549	T+190	4.226
Jan 10 2018	Oman	US$2.5bn	Jan 17 2028	5.625	99.803	T+310	5.651
Jan 10 2018	Oman	US$2.75bn	Jan 17 2048	6.75	98.796	T+395	6.845

Pricing steps	NIP (bp)	Book size	Ratings	Bookrunners	Distribution
T+200 area, T+170 (+/-2)	Negative	US$2.4bn	Baa3/-/BBB	GS/Haitong/MS/HSBC/Citi	Asia 85%, EU 14%, Offshore US 1%. Bank 22%, FM 66%, Ins 6%, SWF 3%, PB 3%.
T+235 area, T+210 (+/-5)	Negative	US$3.6bn	Baa3/-/BBB	GS/Haitong/MS/HSBC/Citi	Asia 89%, EU 10%, Offshore US 1%. FM 64%, Bank 16%, Ins 9%, SWF 7%, PB 4%.
7% area, 6.75% (the #)	-	-	-/BB/BB	MS/Santan/JPM/BBSecs/Bradesco/BTGPactual/XPSecs	-
MS+100 area, MS+90 (+/-5)	-	-	A3/BBB+/BBB+	Barc/Citi/Santan	-
MS+5 area, MS+2 (+/-1)	2.5	>€800m, 54 acs	Aaa/AAA	DB/HSBC/NordLB/UBS/UOB	Ger/Aus 61%, Benelux 12%, UK/Ire 11%, Nordics 9%, Asia 2%, Fr 1%, RoEU 4%. FM 36%, Bks/PB 25%, CB/OI 21%, Ins 18%.
MS+340 area, MS+330 (+/-5)	15	US$1.1bn, 135 acs	Ba1/-/BB+	GCs BNPP/CMZ/ING, +ABC/SG/SMBC Nikko/Uni	UK 32%, Switz 19%, Ger/Aus 14%, RoEur 10%, Asia 10%, ME 8%, US(offshore) 7%. FM 65%, Bks/PB 32%, Ins/PF 3%.
5.4% area, 5.3% area, 5.2%/5.25%, 5.2%	10	US$5.3bn, 205 acs	Ba1/-/BB+	Citi/DB/HSBC	UK 35%, US 25%, Turkey 15%, RoEur 15%, Other 10%. FM 62%, Bks %, Ins/PF 11%, Other 8%.
5.25% area, 5.125% (+/-12.5), 5%	-	>US$2.1bn	Ba2/-/BB	BAML/ING/MUFG/SG	-
T+135 area, T+110-115	-	US$1.4bn	A2/-/-	HSBC/Miz/BoCHK/DBS	Asia 95%, EMEA 5%. FM 38%, Bank 36%, Ins 14%, Public/Corp 8%, PB/Other 4%.
5% area	-	US$1.2bn	-/-/BBB-	GS/JPM/BNP/BoCI	Asia 91%, EMEA 9%. PB 52%, FM 43%, Bank 3%, Other 1%.
5.5% area	-	US$2.7bn	-/-/BBB-	GS/JPM/BNP/BoCI	Asia 76%, EMEA 24%. FM 59%, PB 35%, Bank 1%, SWF/Ins 4%.
6.625% area, 6.250%-6.375%	-	US$3.4bn	B1/B/B+	UBS/DB/Guotai Junan/ABCI/CNCBI/CISI/Citi/Haitong /HSBC/SPDB	Asia 82%, Eur 18%. AM 64%, Bank 21%, Other 15%.
8.25% area	-	-	B2/B-/B-	CCBI/CICC/Citi/HSBC/MS/CNCBI/AMTD/BoCI/BOSC/CISI/CMBI/DBS/Dongxing/Guotai Junan/Haitong/Industrial/SPDBI/StCh/Zhongtai	-
8.375% area	-	-	B2/B-/B-	CCBI/CICC/Citi/HSBC/MS/CNCBI/AMTD/BoCI/BOSC/CISI/CMBI/DBS/Dongxing/Guotai Junan/Haitong/Industrial/SPDBI/StCh/Zhongtai	-
T+120 area	-	US$860m	Baa1/BBB+/BBB+	Citi/StCh/DB	Asia 97%, EMEA 3%. Bank/PB 52%, FM 31%, Cbank 16%, Ins 1%.
99.25 area	-	-	B1/-/BB-	Citic CLSA/HSBC	-
6% area	-	US$700m	Unrated	Citi/CS/Stanchart	Asia 86%, EMEA 14%. FM 47%, PB 30%, Banks 15%, Insurers/Pensions 8%.
T+135 area	-	US$2.6bn	A1/-/-	CCB/ICBCA/Guotai Junan/StCh/ABCHK/BoCI/Cinda/CMBI/Haitong/ICBCI/Mizuho/SPDBHKTaiping/Zhongtai	Asia 98%, Europe 2%. Banks 50%, FM 36%, Insurers/SWF 7%, PB/others 7%.
5.9% area	-	US$700m	-/-/BB-	DBS/HSBC/OCBC/UBS	Asia 96%, Europe 4%. PB 50%, FM 26%, Banks/Corps 24%.
T+210 area	-	US$1bn	-/-/A-	BoC/CS	China/HK/Macau 81%, Singapore 12%, Europe 7%. AM 48%, Banks 38%, Insurers 8%, PBs 6%.
8.375% area	-	Rmb2bn	Unrated	Citic CLSA/MUFG/StCh	Asia 97%, Eur 3%. FM/AM 92%, Bank 5%, PB 3%.
MS+45	-	SFr175m, 30 acs	-/A/A+	UBS	Switz 100%. AM 38.8%, PB 25.4%, Tsy 21.9%, Ins 9%, PF 4.8%.
Low 6%s, 6.125% (+/-12.5), 6%	-	-	-/B+/BB-	BBSecs/BAML/Bradesco/Citi/Itau/Santan	-
T+90 area, T+80 (+/-5)	3	>US$9.5bn	A1/A+/A+	Citi/DB/GS	US 61%, APAC 11%, UK 10%, Eur 9%, Israel 5%, Switz 4%. AM 60%, CB/OI 11%, Bks/PB 12%, HF 11%, Ins/PF 6%.
T+145 area, T+130 (+/-5)	0	>US$8bn	A1/A+/A+	Citi/DB/GS	US 73%, APAC 9%, UK 8%, Eur 7%, Switz 3%. AM 74%, Ins/PF 10%, Bks/PB 7%, HF 6%, CB/OI 3%.
T+205 area, T+195/200	20	US$15bn combined	Baa2/-/BBB-	Citi/HSBC/SMBCNikko/StCh	-
T+325 area, T+315 area	20	-	Baa2/-/BBB-	Citi/HSBC/SMBCNikko/StCh	-
T+410 area, T+400 area	20	-	Baa2/-/BBB-	Citi/HSBC/SMBCNikko/StCh	-

GLOBAL EMERGING MARKETS BOND DETAILS: WEEK ENDING 12/1/2018 (CONTINUED)

Pricing date	Issuer	Amount	Maturity	Coupon (%)	Reoffer	Spread (bp)	Yield (%)
Jan 10 2018	Banco Internacional del Perú S.A.A. Interbank	US$200m	Jan 18 2023	3.375	99.94	T+105	3.389
Jan 11 2018	Power Construction Corp of China	US$500m	Perpetual (Jan 2023)	4.25	100	-	4.25
Jan 11 2018	Golden Wheel Tiandi Holdings	US$200m	Jan 18 2021	7	99.337	-	7.25
Jan 11 2018	Yingde Gases	US$500m	Jan 19 2023	6.25	99.788	-	6.3
Jan 11 2018	Jiayuan Int'l	US$250m	Jan 17 2019	8.125	99.883	-	8.25
Jan 11 2018	Petron Corp	US$500m	Perpetual (Jul 2023)	4.60%	100	-	4.6
Jan 11 2018	S E A Holdings	US$150m	Jan 19 2023	4.88%	100	-	4.875
Jan 11 2018	International Container Terminal Services	US$50m incr (US$400m)	Perpetual (May 2022)	5.875	100	-	5.875
Jan 11 2018	QNB (Accreting zero Formosa)	US$720m	Jan 23 2048 (Jan 2023)	0	100	-	5.15
Jan 11 2018	Macedonia	€500m	Jan 18 2025	2.75	98.442	B+280.3	3
Jan 11 2018	Marfrig	US$1bn	Jan 19 2025 (Jan 2021)	6.875	98.641	-	7.125
Jan 11 2018	BBVA Bancomer (T2)	US$1bn	Jan 18 2033 (Jan 2028)	5.125	99.51	T+265	5.189
Jan 11 2018	Rede d'Or	US$500m	Jan 18 2028	4.95	100	-	4.95
Jan 11 2018	Tencent Holdings Limited	US1bn	Jan 19 2023	2.985	99.99	T+65	2.988
Jan 11 2018	Tencent Holdings Limited	US$500m	Jan 19 2023	3mL+60.5	100	3mL+60.5	3mL+60.5
Jan 11 2018	Tencent Holdings Limited	US$2.5bn	Jan 19 2028	3.595	99.98	T+105	3.598
Jan 11 2018	Tencent Holdings Limited	US$1bn	Jan 19 2038	3.925	99.96	T+105	3.928
Jan 11 2018	Nemak	US$500m	Jan 23 2025 (Jan 2021)	4.75	100	-	4.75
Jan 12 2018	CAF	A$70m incr (A$320m)	Sep 14 2027	4.5	104.23	ASW+125, ACGB+137.375	3.908

construction company, will meet investors in Hong Kong on January 17.

China Citic Bank International is also helping to arrange Zhongnan's roadshow.

HONG KONG

WHARF REIC MAKES TIGHT DEBUT

WHARF REAL ESTATE INVESTMENT (Wharf REIC) on Tuesday priced a debut US$600m 10-year senior unsecured bond issue at Treasuries plus 110bp, inside initial guidance of 135bp area.

Like-rated comparisons were Swire Properties' January 2028 bonds, quoted at Treasuries plus 109bp, and CK Hutchison's September 2027 paper at Treasuries plus 109bp, indicating that Wharf REIC had paid no new-issue premium on its debut.

Orders were over US$1.4bn from more than 80 accounts. Asia bought 95% of the Reg S notes and EMEA accounts purchased 5%. In terms of investor types, 38% were fund managers, 36% were banks, 14% were insurers, a combined 8% were public sector and corporate investors, and a total of 4% were private banks and others.

HSBC and *Mizuho* were global coordinators on the issue, as well as joint bookrunners with *Bank of China (Hong Kong)* and *DBS*.

The issue will come under the Hong Kong property company's US$3bn MTN programme.

Subsidiary Wharf REIC Finance (BVI) will issue the notes, while the parent company will be guarantor.

The notes are expected to score an A2 rating from Moody's, in line with that for Wharf REIC.

Wharf REIC holds a portfolio of six investment properties in Hong Kong, including Wheelock House and Times Square, which were spun off from The Wharf (Holdings). It was listed by introduction on the Stock Exchange of Hong Kong in November 2017.

Parent property group Wheelock and Co owns a 62% stake in Wharf REIC.

INDIA

BOARD OKAY FOR SBI TO GO LONG

STATE BANK OF INDIA has received board approval to sell long-term Reg S/144A bonds to raise up to US$2bn in the overseas market in one tranche or multiple pieces.

Pricing steps	NIP (bp)	Book size	Ratings	Bookrunners	Distribution
T+125 area, T+115 (+/-5)	N/A	US$1bn	Baa2/BB+	BAML/JPM	-
4.5%a	-	US$1.8bn	Baa1/NR/BBB+	CCBIStCh/Barclays/Citi/CMBCI/DBS	Asia 87% Europe 13%. FM 50%, Insurers/SWF 24%, Banks/Corps 22%, PB/others 4%.
7.625%a	-	US$1.2bn	B2/NR/B	BoCI/Haitong/Guotai Junan/HSBC/Zhongtai	Asia 97%, EMEA 3%. AM+FM 76%, Banks/Securities Firms 18%/ PB/Corps/Insurers 6%
6.75%area	-	US$1.7bn	Caa1/B/B+	DB/MS/CCBI	Asia 51% North America 31% Europe 18%. FM 83%, Insurers/Pensions 13%, Banks 3%, Others 1%
8.5%area	-	-	-	Guotai Junan	-
5% area	-	US$1.75bn	-	HSBC/ANZ/DBS/DB/StCh/UBS	Asia 75% Europe 25%. FM 67%, PB 18%, Bank 14%, Ins 1%.
5% area	-	-	-	CSHSBC/StCh/DBS/BoCI/CEBHK/MUFG	-
100	-	-	-	CS/StCh/Citi	-
-	-	-	-	StCh	-
3.375% area, 3.125% (+/-12.5), 3%	-	c.€3.5bn, >250 acs	-/BB-/BB	Citi/DB/Erste	UK 43%, US 35%, Ger/Aus 14%, RoEur 8%. AM 87%, HF 7%, Bks 4%, Other 2%.
Mid 7% area, 7.25% (+/-12.5), 7.125%	-	-	-/B+/BB-	BBSecs/Bradesco/BTGPactual/HSBC/Nomura/Santan	-
T+300 area, T+270 (+/-5)	N/A	US$3.3bn	-/BB+/BBB-	BBVA/BNPP/BAML/JPM	-
Low/Mid 5%s, 5% (+/-5), 4.95%	-	US$4bn	-/BB/BB+	GCs BAML/Itau/JPM, JBs Bradesco/BTGPactual	-
T+95 area, T+70 (+/-5)	3	US$9bn	A2/A+/A+	BAML/DB/HSBC/BoC/ANZ/BNP/MUFG/CM/CS/GS/JPM/Miz/MS/SPDB	-
3mL equiv, 3mL equiv	FRN	US$5bn	A2/A+/A+	BAML/DB/HSBC/BoC/ANZ/BNP/MUFG/CM/CS/GS/JPM/Miz/MS/SPDB	-
T+130 area, T+110 (+/-5)	8	US$15bn	A2/A+/A+	BAML/DB/HSBC/BoC/ANZ/BNP/MUFG/CM/CS/GS/JPM/Miz/MS/SPDB	-
T+135 area, T+110 (+/-5)	3	US$19bn	A2/A+/A+	BAML/DB/HSBC/BoC/ANZ/BNP/MUFG/CM/CS/GS/JPM/Miz/MS/SPDB	-
5% area, 8.875% (+/-12.5), 4.75%	-	US$1.8bn	Ba1/BB+/BB+	BNPP/JPM/MS	-
ASW+125	-	-	Aa3/AA-/AA-	HSBC	-

"The spreads are lower on account of an upgrade by Moody's and there is ample liquidity," said C Venkat Nageswar, SBI deputy managing director for global markets. "We have enabling provisions and we will tap markets as and when required."

The proceeds will be used to fund SBI's overseas business.

In November, Moody's upgraded the long-term ratings of SBI and three other Indian financial institutions to Baa2 from Baa3, following its earlier upgrade of the government of India's local and foreign currency issuer ratings to Baa2 from Baa3.

Earlier this month, the state-owned bank also received board approval to raise Rs80bn (US$1.26bn) from Basel III-compliant Additional Tier 1 bonds, internationally or domestically.

Separately, SBI has also received board approval to raise Rs50bn from long-term bonds to finance infrastructure and affordable housing projects.

EXIM INDIA HIRES FOR DOLLARS

EXPORT-IMPORT BANK OF INDIA has hired *Barclays, Citigroup, MUFG, JP Morgan* and *Standard Chartered Bank* for a potential dollar bond issue, according to a source close to the development.

It is targeting proceeds of up to US$1bn from 10-year bonds in 144A format.

Exim Bank and the bankers have yet to confirm the mandate, tenor and size.

Separately, Exim Bank has priced Rs3.5bn (US$55m) of 15-year rupee bonds at 7.88%. Crisil has assigned an AAA rating to the bonds.

Last August, Exim India raised Rs6.5bn from 10-year bonds at 7.22%.

BOB NAMES SEVEN FOR DOLLAR AT1S

BANK OF BARODA has appointed *Bank of America Merrill Lynch, Barclays, Citigroup, DBS, HSBC, JP Morgan* and *Standard Chartered Bank* for a potential perpetual bond offering, according to a source close to the plans.

The Indian state-owned bank aims to raise US$500m from Reg S Additional Tier 1 bonds with a call option after year five.

Bank of Baroda and the banks have yet to confirm the mandate.

On December 22, Bank of Baroda received board approval to raise up to Rs40bn (US$628m) from the sale of Basel III-compliant AT1 bonds in rupee/foreign currency to Indian/overseas investors in one or more tranches.

IL&FS sells first HY Dim Sum in 16 months

INDIA Road operator increases issue size as investors hunt yield

IL&FS TRANSPORTATION NETWORK has sold the first high-yield Dim Sum bonds in 16 months, providing more evidence that the offshore renminbi bond market is gaining momentum.

The Indian road contractor priced three-year unrated notes last Wednesday at 98.688 to yield 8%, tighter than initial guidance of 8.375% area.

Final orders reached more than Rmb2bn across 52 accounts. Strong demand enabled the issuer to increase the size of the offering to Rmb900m (US$138m) from an initial Rmb690m, equal to the outstanding 8% 2018 Dim Sum notes maturing later this year.

Asian investors took 97% of the notes and European investors got the rest. Fund and asset managers were allocated 92%, while banks got 5% and private banks received 3%.

The last high-yield Dim Sum bond offering before IL&FS was in September 2016, when Haikou Meilan International Airport, a unit of HNA Group, priced a tap of its 7.25% 2018 notes at 101 for a yield of 6.63%.

"IL&FS's Dim Sum, the first high-yield offering in about 15 months, has paved the way for a more diversified range of issuers in this segment this year," said Li Chao, head of Asia bond syndicate at Standard Chartered (Hong Kong).

"In particular, it will boost confidence in high-yield issuers as not only investment-grade issuers, but also lower-rated issuers are now able to tap the Dim Sum market."

IL&FS's new notes traded up one point in secondary trading, according to a Hong Kong-based credit trader. "Investors hungry for yield definitely want this name, but no one is selling the paper," said the trader.

STILL BUSY

The Dim Sum market has revived since September 2017 with offerings mostly from Single A and Double A rated financials and the market still looks busy two weeks into 2018.

IL&FS printed the second Dim Sum deal of the year after Westpac Banking Corp (Aa3/AA–/AA–) launched Rmb500m three-year Dim Sum bonds earlier this week.

Some expect that Chinese issuers will also return to the Dim Sum market as onshore yields have risen and approvals from the National Development and Reform Commission are getting easier than last year.

"As the pricing differences have narrowed between onshore renminbi bonds and offshore renminbi bonds and the offshore US dollar bond sector is getting overly crowded, we think it is possible that some Chinese issuers will come back to tap the Dim Sum bond market," said a Hong Kong-based credit analyst with a Chinese bank.

Citic CLSA, *MUFG* and *Standard Chartered* were joint bookrunners and joint lead managers on the offering.

ITNL Offshore, the company's wholly owned special-purpose vehicle, has issued the notes, while IL&FS serves as guarantor.

Ina Zhou

This is over and above Rs30bn that the board already approved at a meeting held in May.

SIX FOR INDIABULLS MASALA

INDIABULLS HOUSING FINANCE has mandated six banks for a potential offering of Masala bonds, according to a source close to the development.

Indiabulls mandated *Barclays*, *Citigroup*, *Credit Suisse*, *HSBC*, *MUFG Securities* and *Yes Bank*, the source said.

The housing finance company and banks are yet to confirm the mandate.

Indiabulls has just set up a US$1.5bn secured euro medium-term notes (EMTN) programme, according to a prospectus filed with the Singapore Stock Exchange.

The notes may be issued through *MUFG Securities* or any additional dealer appointed under the programme.

The issuer recently received approval from the Reserve Bank of India to sell Masala, or offshore rupee, bonds of up to US$50m at a minimum three-year tenor and US$700m at a minimum five-year tenor.

It plans to issue the Masalas under the social bond framework.

Last September, Indiabulls raised Rs13.3bn from three-year Masala notes at 8.567%.

PFC PUTS OUT RFP FOR MASALAS

POWER FINANCE CORP has sent out a request for proposals for an offering of five-year Masala, or offshore rupee, bonds, according to a market source.

The Indian state-owned firm is seeking commitments for Rs12.5bn (US$196m), with a greenshoe option of up to Rs20bn. It has asked for an underwriting commitment, the source has said.

The rupee notes will be linked to a spread below the Thomson Reuters benchmark of AAA rated five-year rupee bonds.

PFC has approval from the Reserve Bank of India to issue Masala notes. It has yet to make an official announcement on the size and the tenor.

INDONESIA

TUNAS BARU LAMPUNG HIRES

Indonesia's TUNAS BARU LAMPUNG hired *CLSA* and *Mandiri* as joint global coordinators and bookrunners for investor meetings and calls in Singapore, Hong Kong and London from last Friday.

The palm oil and sugar producer may follow up with an offering of US dollar Reg S senior notes.

TBLA International, a wholly owned subsidiary of Tunas Baru Lampung, will issue the notes, with the parent as guarantor. The notes are expected to be rated Ba3/BB– (Moody's/Fitch), in line with the parent company.

MALAYSIA

PARKSON UNVEILS TENDER OFFER

China-based department store operator PARKSON RETAIL GROUP has launched a tender offer to buy back all its US$500m 4.50% US dollar bonds due 2018.

The Hong Kong-listed company, a retail unit of the Malaysian Lion Group, will pay US$1,010.75 per US$1,000 in principal amount of the 2018s. The deadline for responses is January 19, with settlement expected on January 29.

As of January 9, the outstanding principal amount of the notes stood at US$484.5m.

The tender offer, however, is subject to Parkson Retail's sealing a facility agreement with a certain lender. Under the agreement, the lender will provide a term loan to finance, in whole or in part, the total tender consideration.

JP Morgan is dealer on the offer and DF King is information and tender agent.

PHILIPPINES

VISTA LAND OUT TO AMEND TERMS

VISTA LAND AND LIFESCAPES has launched a consent solicitation for holders of its US$425m 7.375% bonds due 2022, with *DBS* and *HSBC* as solicitation agents.

The Philippine property company wants to amend certain terms on the notes to

bring them in line with its US$350m paper issued last November and give the business greater flexibility.

It is offering the holders US$2.50 per US$1,000 in principal amount if they grant consent on or before the early-bird deadline of January 24 and US$1.50 if they do that on or before the final deadline of January 31.

SINGAPORE

LIQUIDITY ALERT FOR SINGAPORE BONDS

An unusual disclosure on the first Singapore dollar bond issue of the year has raised concerns over underwriters' support for the deals they bring to market.

The term-sheet for **PERENNIAL REAL ESTATE**'s S$120m (US$90.5m) 3.9% three-year bond offering included a warning that the two bookrunners would not commit to trading the securities in the secondary market.

"*DBS Bank* and *Oversea-Chinese Banking Corporation*, as the joint lead managers and bookrunners, are not obliged to, and will not, make a market in the notes," the clause said.

Investors in Singapore dollar bonds often grumble about the dearth of liquidity in the secondary market, but this was thought to have been the first time bookrunners openly said they would not help with market-making.

Rival bankers were quick to criticise the lead managers for veering away from the usual practice of making a market for Singapore issues.

"This is a New Year dissolution, not a New Year resolution," said a DCM banker. "Banks bringing deals should have a duty to provide a market for investors."

Without a market from the main arrangers, investors – particularly individual holders – will have limited avenues to exit their holdings before maturity.

The term-sheet also said that Perennial's controlling shareholder might be allocated a certain proportion of the bonds, which might result in limited liquidity in the secondary market anyway.

Banks acting as lead managers or bookrunners are not legally bound to act as market-makers for the bonds. Most offering circulars include the risks of illiquidity and warn that the lead banks are not obliged to make a market for the securities.

In practice, however, lead banks typically make a market for the notes in early trading to show support for their investor clients.

One syndicate banker said he had come across a couple of deals where investors were told verbally that the banks would not make markets.

"Typically, these are private placements, involving a small group of investors, not deals publicly sold like Perennial's," said the banker.

Most bankers, however, see the Perennial clause as a one-off and argue it is unlikely to become standard in Singapore bonds. This view gained support amid chatter that DBS, ahead of settlement of the Perennial notes on Thursday, was making a market for the bonds with quotes at 100.20/100.30 on Tuesday.

Perennial did not disclose the issue's total allocation to its major shareholders. One disclosure to the Singapore Exchange, however, noted that company chairman Kuok Khoon Hong had a deemed interest in S$50m of the 2021 notes, allocated to HPRY Holdings.

If the shareholders had taken a huge chunk of the issue, DBS and OCBC would not have had enough bonds on hand to make a market, and that could have prompted the controversial clause.

"To their credit, the leads were transparent and upfront about the possibility of not being able to commit to market-making," said a banker at an international firm. "Good on them for doing it in the current atmosphere, where bankers and investors are careful to mitigate risks to themselves."

UOB PRICES EURO COVERED

UNITED OVERSEAS BANK has priced €500m of seven-year covered bonds at mid-swaps plus 2bp, drawing orders of €800m, including €50m from the leads.

Germany and Austria were allocated 61% of the notes, the Benelux countries 12%, the UK and Ireland 11%, the Nordics 9%, Asia 2%, France 1%, and other European investors the rest. In terms of investor types, 36% were fund managers, 25% banks and private banks, 21% central banks and official institutions and 18% insurers.

The demand for the Singapore lender's offering was in line with that for last year's covered bonds from DBS Bank, which drew orders of €700m.

UOB's deal size was also smaller than the €1.25bn of 0.5% seven-year notes from Australian lender Westpac, priced at 2bp over mid-swaps.

Pricing was said to have been in line with that of recent covered bonds, which were showing new-issue concessions of 3bp–4bp amid increased supply. UOB's deal came wide of DBS's latest covered issue, which was spotted at mid-flat in secondary markets.

The issue is expected to score ratings of Aaa from Moody's and AAA from S&P.

Deutsche Bank, *HSBC*, *Nord/LB*, *UBS Investment Bank* and *UOB* were the leads.

SOUTH KOREA

HANKOOK READIES DOLLAR ISSUE

HANKOOK TIRE, rated Baa2/BBB (Moody's/S&P), has mandated *Citigroup*, *Credit Agricole* and *JP Morgan* for an offering of US dollar bonds.

Fixed-income investor meetings in Asia and Europe start on Monday for a Reg S-only issue with a short to intermediate maturity.

THAILAND

KASIKORNBANK FINDS TIGHT DEMAND

KASIKORNBANK, acting through its Hong Kong branch, priced a US$400m 5.5-year bond issue that benefited from rarity value and offered no new-issue premium, despite an overnight rout in Treasuries.

The notes were priced at Treasuries plus 94.5bp, the low end of final guidance of plus 97bp area (plus or minus 2.5bp) and inside initial guidance of plus 120bp.

The last US dollar bond offering from a Thai bank, Siam Commercial Bank's US$500m of May 2023s, was priced last November and is traded at around plus 96bp–97bp.

A banker on the deal cited fair value for a new Kasikorn bond issue at around plus 98bp area after adding concessions for curve extension over its 2022s, which were spotted at a G-spread of 88bp.

Kasikornbank had orders of US$860m at reoffer, down from US$2.1bn recorded at the peak.

"Demand is still very strong for Thai names because investors are very keen to diversify against the large amount of China supply," said the banker. "We're still able to find demand at tight levels, even though Thai banks trade near China's Big Four and Malaysia."

"We had sufficient orders, including high-quality appetite from central banks, to accept these levels," said another banker.

Asia accounted for 97% of the notes and EMEA for the rest. Banks and private banks were allocated 52%, with fund managers next at 31%, central banks at 16% and insurers at 1%.

The notes were wrapped around reoffer in secondary trading, thanks to their rarity value and onshore buying, which helped buffer a 6bp widening in 10-year Treasury yields overnight.

The senior unsecured Reg S notes, drawn under a US$2.5bn EMTN programme, are expected to be rated in line with the issuer at Baa1/BBB+/BBB+.

Citigroup, *Deutsche Bank* and *Standard Chartered* were joint global coordinators, bookrunners and lead managers.

EUROPE/AFRICA

ANGOLA

VTB IN TALKS WITH ANGOLA

VTB chief executive Andrei Kostin discussed the participation of the Russian bank in raising debt for ANGOLA at a meeting with the African country's president Joao Lourenco last week.

They also spoke about restructuring Angola's debt and potential loans by VTB to Angola, Reuters reported citing a bank statement.

Angola first issued a Eurobond in October 2015. The notes are bid at 116.911 to yield 6.685%, according to Tradeweb.

EGYPT

GOLDEN PYRAMIDS PLAZA SEEKS SHAREHOLDER NOD

GOLDEN PYRAMIDS PLAZA is looking for shareholder approval for a US$200m bond issue, according to a filing on the Egyptian stock exchange.

Golden Pyramids Plaza is an Egypt-based entertainment and hospitality company.

ALL INTL EMERGING MARKETS BONDS
BOOKRUNNERS: 1/1/2018 TO DATE

Europe/Africa

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	HSBC	2	963.37	23.3
=1	Citigroup	2	963.37	23.3
3	Deutsche Bank	1	662.74	16.0
4	Commerzbank	2	350.40	8.5
5	Goldman Sachs	1	300.63	7.3
=5	Nova Ljubljanska Banka	1	300.63	7.3
=5	Jefferies	1	300.63	7.3
8	Arab Banking Corporation	1	49.77	1.2
=8	UniCredit	1	49.77	1.2
=8	BNP Paribas	1	49.77	1.2
	Total	**3**	**4,140.38**	

Excluding equity-related debt.

Source: Thomson Reuters SDC code: L2

Perps buck rising rates trend

CORPORATE HYBRIDS Three deals – including a fixed-for-life – print despite spike in Treasury yields

Investors have snapped up Asia's first three perpetual bonds of the year, showing their continuing support for undated US dollar securities, despite rising Treasury yields.

INTERNATIONAL CONTAINER TERMINAL SERVICES (ICTSI) reopened the market on Wednesday, with PETRON and POWER CONSTRUCTION CORP OF CHINA (PowerChina) following the next day.

In a sign that investors are mindful of rising rates, Petron saw stronger support than Philippine peer ICTSI, underlining the preference for step-up coupons over the latter's fixed-for-life structure.

The oil refiner attracted orders in excess of US$1.75bn for US$500m of 4.6% senior perpetuals, which will reset every five years, after the first call date in July 2023, to the prevailing Treasury rate, plus the initial spread, plus a 250bp step-up.

This gives Petron an incentive to call the bonds, meaning investors have some protection against rising yields.

The same day, PowerChina drew orders of US$1.8bn for US$500m of perpetual non-call five notes, priced at 4.25% and incorporating a 500bp step-up if the bonds are not called. Investors were drawn to the extra yield the Chinese state-owned issuer offered over senior bonds with a bullet maturity.

In contrast, buyers of ICTSI's US$350m securities, priced on Wednesday, will receive a fixed 5.875% yield with no reset or step-up if the bonds are not called, a structure that offers no protection against continued interest-rate hikes.

Treasury yields spiked to 10-month highs last week on concerns that central banks are accelerating moves to end quantitative easing and disputed reports that China may decelerate its purchases of US government bonds.

At a time when the Federal Reserve is projected to raise rates three times this year – expectations that have driven 10-year Treasury yields up by more than 40bp since September – ICTSI's

KAZAKHSTAN

KKB TO CALL PERP

KAZKOMMERTSBANK will redeem its US$100m 7.59308% perpetual notes at their call date of February 9.

The bonds, which were issued in November 2005, are trading at 95.50-99.50, according to Thomson Reuters, or a yield of 22.14%-9.23%.

MACEDONIA

ACCOUNTS FIGHT FOR SPACE IN MACEDONIA TRADE

MACEDONIA's €500m January 2025s surged on the break after the sovereign saw huge demand for its new notes issue.

The bonds, which priced at 98.442 or a yield of 3%, were spotted by a trader at 101/101.25 in the secondary market. While one banker away from the deal said that reflected poor execution by the leads, those on the deal argued it was due to pent up demand from investors who had been unable to get their hands on the bonds during the allocation process.

The final order books were around €3.5bn, with more than 250 accounts participating.

"It was tricky to allocate," said a lead. "Given the longstanding relationship the issuer has with asset managers in emerging markets, it was a question of trying to allocate to them. In parallel, we had to consider the tender."

Macedonia will use the proceeds to buy back nearly €92m of its €270m 4.875% notes due December 2020, a little less than the maximum €100m it had targeted.

Macedonia started marketing the seven-year deal at 3.375% area. A second banker away reckoned that offered a new issue premium of around 20bp, based on extending the curve from the outstanding 2023s, albeit those bonds trade at a high cash price of 117 making gauging fair value difficult.

Guidance was set at 3.125% area (plus or minus 12.5bp) before pricing at the tight end.

The lead said there was no option to increase the size of the deal despite the level of demand.

"It's not a huge country with massive GDP, so they don't have that flexibility to upsize," he said.

Asset managers dominated the allocations, taking 87%. Hedge funds took 7%, banks 4% and others 2%. By geography, 43% of the allocation went to the UK, 35% to the US, 14% to Germany and Austria, and 8% to the rest of Europe.

The sovereign is rated BB- by S&P and BB by Fitch.

offering was not an easy sell, despite an estimated 100bp premium over other Philippine perpetuals.

Petron was able to tighten pricing by 40bp from initial marketing at 5% area, while ICTSI revised guidance by one-eighth from 6% area, after attracting orders of only US$700m. Petron also achieved a broader distribution, as 25% of the perps went to Europe, versus ICTSI's 14% to EMEA.

"Investors are more sensitive to buying perpetuals, after we saw a tapering in secondary performance," said a banker on the Petron deal. "But they are still looking for higher-yielding paper, which is less sensitive to rate rises versus short-term notes. Having a step-up definitely helps."

AGGRESSIVE STRUCTURE

Higher rates have cooled demand for fixed-for-life perps, which were popular last year when investors were chasing high yields in a low-rate environment.

Global government bond rates spiked last week after the Bank of Japan on Tuesday scaled back a purchase of JGBs, while the minutes of the European Central Bank's December meeting, published last week, hinted that it might cut its stimulus. This backdrop could make fixed-for-life paper less palatable to investors.

"I don't think every issuer can do this right now. It's a pretty aggressive structure," said a banker on the ICTSI deal, pointing out that blue-chip issuers, with proven track records in the international capital markets, still stood a chance of selling such products.

"Names like ICTSI also have an onshore following. So, they'll be able to provide a buffer in secondary trading if rates became more volatile," said another banker.

Despite the taxing backdrop, ICTSI made the case that the securities could outperform on the back of stronger business fundamentals. It even tapped the newly issued perps the next day for US$50m, lifting the total size to US$400m.

"Even if benchmark rates inch up a bit, there is room for credit spread contraction as a result of an improving business environment and stronger balance sheet," said ICTSI CFO Joel Consing. "Excluding capex for maintenance, the proceeds will be able to generate cash immediately, unlike previous times when the deal proceeds were used to fund greenfield projects."

RATE PROSPECTS

ICTSI's ability to sell fixed-for-life perps shows that some investors are sceptical that the Fed will be able to reach its 2% inflation target, even with rate increases and a growing US economy.

The Fed has toiled to reach its inflation target, complicating its case for rate increases. However, global fund managers are generally expecting two to three rate rises this year.

"If you think that inflation will struggle to manifest itself, and if you look for what else offers good yields, some investors will be okay with fixed-for-lifes," said a senior DCM banker away from the ICTSI deal. "Investors are willing to hold the securities within a certain yield band even as rates move higher, especially from institutions that have been ensured continued stability."

HSBC was sole global coordinator on Petron. *ANZ*, *DBS*, *Deutsche Bank*, *Standard Chartered* and *UBS* were joint bookrunners. *BPI Capital* and *China Bank Capital* were domestic lead managers.

Citigroup, *Credit Suisse* and *Standard Chartered* were joint bookrunners on ICTSI.

CCB International and Standard Chartered were joint global coordinators on the PowerChina issue, as well as joint bookrunners with *Barclays*, Citigroup, *CMBC International* and *DBS*.

Frances Yoon

Citigroup, *Deutsche Bank* and *Erste Group* were the leads.

RUSSIA

HOST OF BANKS BACK PHOSAGRO BOND

PHOSAGRO brought a Russian flavour to the pipeline as the fertiliser producer hit the road on January 12 backed by 10 banks, five of which are global coordinators.

The company is eyeing a US dollar transaction with a maturity between five and seven years.

Moody's has rated the notes Ba1 and said the proceeds will principally be used to repay PhosAgro's US$500m 4.204% February 2018s.

"PhosAgro's Ba1 corporate family rating continues to reflect a high degree of robustness in its financial profile," Moody's analysts wrote.

However, "the CFR is constrained by PhosAgro's exposure to Russia's macroeconomic environment and is at the same level as Russia's sovereign rating and the foreign-currency bond country ceiling of Ba1."

PhosAgro is rated BBB- by S&P and BB+ by Fitch.

The company started meeting investors in Moscow and will wrap up the roadshow on January 16 after visits to London and New York.

Bank of America Merrill Lynch, *Citigroup*, *JP Morgan*, *Sberbank* and *VTB Capital* are joint global coordinators. They are joined as bookrunners by *Raiffeisen Bank International*, *Renaissance Capital*, *Societe Generale*, *UBS* and *UniCredit*.

PhosAgro has previously sold US$500m of November 2021 notes at 3.95%. Those notes are bid at 100.717.

TUNISIA

TUNISIA PROTESTS ROCK DOLLAR BONDS

TUNISIA's dollar bonds took a pounding in the secondary market last week as demonstrations gripped the country.

Protests, some violent, flared across Tunisia on Monday, when one protester was killed, before ebbing on Thursday. Protesters burned dozens of state buildings, prompting the government to send the army into several cities and towns.

Reuters reported on Friday that Tunisian authorities arrested another 150 people including local opposition leaders over unrest against price and tax rises that prompted troop deployments to restive towns, and activists called for renewed rallies at the weekend.

"The 25s were about 40bp-45bp wider yesterday," a trader said on Friday. "They've bounced back a bit today, but there's definitely been selling pressure."

The 25s opened the week bid at a Z-spread of 328bp. They widened to plus 394bp on Thursday, but had recovered to plus 353bp.

TURKEY

PETKIM DEBUT TO FUND REFINERY PURCHASE

PETKIM PETROKIMYA HOLDING, a Turkish petrochemical manufacturer, has hired banks for an inaugural international bond deal.

The B1/-/B rated company is seeking to raise US$500m to purchase an 18% stake in the STAR refinery from its shareholder, Socar Turkey Energy, according to Moody's.

The rating agency pointed to two risks: a liquidity position that is adequate but could weaken following the purchase of the stake; and a debt-to-Ebitda multiple that could more than double to above three times over the next 12-18 months.

On the flipside, the purchase of the stake should eventually improve Petkim's profitability.

Goldman Sachs and *JP Morgan* are joint global coordinators and are arranging a series of fixed income investor meetings in the UK and the US, beginning on Monday.

Meetings in London, Boston and New York will run until January 18.

Turkish issuers overcome rates speed bump

■ TURKEY Sovereign bond coincides with development bank timing

Tuesday proved to be Turkey day with both the sovereign and development bank, TSKB, printing deals and overcoming a rough day in the rates market that saw 10-year Treasury yields jump 7bp.

Both issuers appeal to a similar investor base but bankers on the deals denied that there were any negative effects from going head-to-head.

"The issuer was aware the sovereign could come but they have different credit profiles and the deals had different tenors," said a banker on TSKB.

He said one of the strategies on that deal was to announce the initial price thoughts as early as possible in case the sovereign went ahead later the same day.

In the event the sovereign announced a February 2028 deal a couple of hours later, by which stage TSKB had already garnered an US$800m book for its US$350m no-grow January 2023 trade.

That demand peaked at over US$1.1bn, enabling leads to cut pricing to mid-swaps plus 325bp from 340bp area over.

Calculating what the final spread meant in terms of a concession was difficult to gauge with TSKB May 2021 Green bond quoted at plus 270bp.

One lead reckoned the curve was worth 45bp, making the premium 10bp. But a banker away from the deal thought it was a 25bp concession.

Another method - based on state-owned Ziraat Bank's curve and the pick-up of TSKB versus Ziraat at a 2021 maturity - puts the concession at more like 15bp.

"It was a good solid deal to open the market. We didn't want to be too aggressive," said the lead.

A lead on the sovereign's US$2bn 5.125% 10-year was pleased with that deal's outcome too, especially given a sell-off in the Treasury market that saw 10-year yields reach 2.55% on Tuesday, their highest level since March. The move was triggered by news that the Bank of Japan had cut purchases of long-end JGBs.

"What's pleasing is that we got to where we wanted in terms of size and pricing," he said.

The deal began marketing at 5.40% area before books that topped US$7bn at one point enabled leads to print at 5.20%. The final order book was US$5.3bn.

"The book did shrink [from its peak] but we were in such a strong position we were able to overcome the speed bump," said the banker, referring to the sell-off in Treasuries.

He reckoned the concession was about 10bp, saying leads were aware this wasn't a market to squeeze pricing to the last basis point. "The market is sensitive to appropriate value across all asset classes," he said.

Still, TURKEY is one of the most attractive sovereigns in the Double B sector on a relative value basis. South Africa, for example, has September 2027s bid at 4.63%; Russia's June 2028s are at 4.037% (with an extremely high 173 handle); while Brazil's January 2028s are at 4.51%.

The bonds traded down half a point in the secondary market as the Treasury sell-off continued on Wednesday morning, with the 10-year yield hitting an intra-day high of 2.59% before falling 5bp.

Citigroup, *Deutsche Bank* and *HSBC* were leads on the Turkey (Ba1/-/BB+) SEC-registered deal.

BNP Paribas, *Commerzbank* and *ING* were global coordinators on the TSKB (Ba1/-/BB+) Reg S trade and were joined on the books by *Bank ABC*, *Societe Generale*, *SMBC Nikko* and *UniCredit*.

Sudip Roy

A debut senior unsecured 144A/Reg S bond with a five-year non-call three maturity may follow.

REGIONAL

INVESTORS ANSWER PUMA ENERGY'S CALL

Oil group PUMA ENERGY raised US$750m through a January 2026 trade on Tuesday, in a deal that was twice subscribed and priced 25bp inside initial levels.

The eight-year non-call three offering came after holding two rounds of investor calls on Monday. Leads said that the issuer was able to carry over momentum from its last foray into the market in October, when Puma Energy had undertaken a full roadshow.

Puma printed a US$600m seven-year non-call three in October, in conjunction with a tender on its US$1bn 6.75% senior notes due 2021.

"The calls were well attended but it was mainly Q&A as most people coming to buy knew about the credit already," said a banker close to the deal.

Puma Energy began marketing the new notes at 5.25% area, and the books reflected strong demand. Interest built to more than US$2.1bn during the execution process. Momentum was given a boost by Puma's decision to call its February 2021 senior notes, which gave an incentive to investors to roll over into the new paper.

"People appreciated the performance on the initial transaction and they followed through into this deal," said a second banker on the deal. "Established investors came back, and we also had a healthy run of new investors. There was global interest."

The issuer's curve offered the main pricing reference point. Puma's US$600m 5.125% October 2024s were trading at a yield of 4.59% or spread of 224bp over mid-swaps pre-announcement. The second banker put fair value for the latest transaction in the high 4s.

Pricing was tightened through guidance at 5.125% (plus or minus 0.125%), before the bonds priced at par to yield 5%, 12.5bp tighter than October's trade.

Puma Energy is rated Ba2 by Moody's and BB by Fitch. *Bank of America Merrill Lynch* was global coordinator, and it was joined as a lead manager by *ING*, *MUFG* and *Societe Generale*.

MIDDLE EAST

ISRAEL

ISRAEL SHOWS THE VALUE OF STRONG FUNDAMENTALS

ISRAEL showed there are some borrowers that don't conform to the search for yield theme that's so dominant across credit markets but are actually sought after because of strong fundamentals.

The Middle East sovereign raised US$2bn through an evenly split dual-tranche offering comprising a US$1bn 3.25% 10-year note and a US$1bn 4.125% 30-year tranche.

Israel could have raised much more given the books exceeded US$17bn, but this was less about a fundraising exercise than a strategic deal to update Israel's curve.

Its previous benchmarks were its 2026s and 2043s while Israel also hadn't visited the dollar market since 2016. Last year it issued in euros.

At the same time, the finance ministry is keen to ensure that the government's foreign currency debt as a percentage of the total debt stock doesn't fall below current levels.

Foreign debt has fallen to 13% of total debt from 25% over the past decade.

This scarcity of supply coupled with Israel's attractive fundamentals - GDP growth is forecast to hit 3.4% this year, FDI inflows are strong, annual inflation was 0.3% in November, while interest rates are at 0.1% to keep a lid on the shekel - meant that the deal appealed to a broad spectrum of investment-grade accounts.

These included university endowments, state pension funds, insurers, sovereign wealth funds and central banks. Some emerging markets funds, seeking a low-beta, off-index play, also participated.

Israel (A1/A+/A+) began marketing the bonds at 90bp area over Treasuries and plus 145bp area, respectively, with the final prints at 75bp for the January 2028s and 125bp for the January 2048s.

Compared to its curve those spreads represented minimal concessions, with the 10-year offering 3bp-4bp based on the March 2026s quoted at a G-spread of 56bp (the front and belly of the curve is relatively steep) and the 30-year coming flat with the January 2043s trading at plus 121bp.

What's become more interesting for investors is that the GCC sovereign supply glut over the past two years provides an ability to gauge relative value across the Middle East and compare economic data points.

For example, while Saudi Arabia (A1/A-/A+) has 2047 bonds trading at a G-spread of 166bp, some investors may find more value in Israel based on the latter's better credit fundamentals and much smaller exposure to the bond market.

Both Israel bonds traded 7bp-8bp tighter in the secondary market with the deal repositioning the sovereign's curve overall.

Citigroup, *Deutsche Bank* and *Goldman Sachs* were the leads on the SEC-registered deal.

QATAR

QNB HITS FORMOSA MARKET IN SIZE

QATAR NATIONAL BANK, the Gulf's largest bank, issued a US$720m 30-year Formosa bond last week, the latest indication of Qatari banks' efforts to diversify their funding amid an ongoing regional diplomatic rift that started over six months ago.

Formosa bonds are sold in Taiwan by foreign issuers and are denominated in currencies other than the Taiwanese dollar.

Standard Chartered was the sole manager of the issue, which is callable every five years.

QNB has tapped the Formosa bond market regularly over the past few years. It issued a US$630m Formosa last year, led by Standard Chartered, and a US$1.1bn Formosa in 2016.

Other banks in the region have sold debt in the same market, which is considered attractive from an issuer perspective because the cost of issuance for five-year maturities is lower than for a vanilla bond.

Abu Dhabi Commercial Bank recently raised US$540m through the sale of a

ALL INTL EMERGING MARKETS BONDS
BOOKRUNNERS: 1/1/2018 TO DATE

Middle East

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Citigroup	3	2,422.05	22.4
2	Sumitomo Mitsui Finl	2	1,760.75	16.3
3	HSBC	1	1,614.08	14.9
=3	Standard Chartered	1	1,614.08	14.9
5	Goldman Sachs	2	807.96	7.5
=5	Deutsche Bank	2	807.96	7.5
7	UBS	1	178.39	1.6
8	TD Securities	1	146.67	1.4
=8	MUFG	1	146.67	1.4
=8	Credit Agricole	1	146.67	1.4
	Total	**4**	**10,818.61**	

Excluding equity-related debt.

Source: Thomson Reuters SDC code: L5

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Formosa bond, sources told Reuters, and other banks in the Gulf are discussing potential debt sales, one of the sources said.

UAE

ADCB GETS ACTIVE IN NICHE MKTS

ABU DHABI COMMERCIAL BANK (A+/A) has been busy in niche markets, issuing more than US$700m since the start of the year.

In the first week of the year it priced a US$540m 30-year non-call five accreting zero coupon Formosa, following that up last week with a SFr175m (US$180m) five-year senior deal.

Those bonds priced at mid-swaps plus 44.75bp - just inside plus 45bp guidance - or 0.33% yield, with a 0.375% coupon, via sole lead *UBS*.

The bond may go to refinance a SFr100m subordinated bond callable in June.

AMERICAS

BRAZIL

REDE D'OR MAKES SUCCESSFUL DEBUT

REDE D'OR came with its first ever US dollar bond last week, opening up a new sector for EM investors keen to put money to work early in the year.

The debut trade from the hospital network - whose principal shareholders include The Carlyle Group, GIC and the Moli family - saw order books swell to US$4bn for the US$500m trade.

The deal proved popular among investors who liked the story and the sector, which is set for more consolidation.

ALL INTL EMERGING MARKETS BONDS
BOOKRUNNERS: 1/1/2018 TO DATE

Latin America

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Citigroup	2	720.66	21.8
2	Santander Global	2	640.75	19.4
3	Barclays	1	595.66	18.0
4	JP Morgan	4	436.69	13.2
5	BAML	2	224.94	6.8
6	Morgan Stanley	2	211.76	6.4
7	BNP Paribas	1	166.67	5.0
8	HSBC	1	125.00	3.8
9	BB&T Corp	1	45.09	1.4
=9	XP Securities	1	45.09	1.4
	Total	**5**	**3,302.47**	

Excluding equity-related debt.

Source: Thomson Reuters SDC code: L3

"It is one of those rare issues - a quality company with quality sponsors," said one investor.

Strong interest in the deal helped leads tighten from initial price thoughts of low-to-mid 5% before landing the 10-year bond at par to yield 4.95%.

Comparisons proved difficult, however, given the dearth of other hospital credits in Latin America.

Some looked to fuel distributor Ultrapar as a possible comparison, as both businesses focus exclusively on the domestic market.

Ultrapar's 2026s were trading at around 5%, just north of where Rede D'Or ultimately priced.

Rede D'Or has been on an aggressive acquisition spree in what remains a very fragmented Brazilian healthcare market.

Much of that has been financed through debt, but Fitch sees the company being able to keep a net adjusted leverage ratio of around 2.2 times over the next three years.

"It is a brand new fresh name and fresh sector and the leverage numbers are very good," said Klaus Spielkamp at Bulltick.

"Debut deals usually pay an extra premium, so investors are taking advantage of this opportunity."

Bank of America Merrill Lynch, *Itau*, *JP Morgan* were global coordinators as well as joint bookrunners with *Bradesco* and *BTG Pactual*. Ratings are BB/BB+.

RUMO DEFIES RATE VOLATILITY TO PRINT NEW DEAL

Railroad operator **RUMO** returned to the dollar market last week successfully raising US$500m despite another volatile day for Treasuries.

The seven-year non-call four bond eventually priced at a yield of 6%, tight to initial price thoughts of low-to-mid 6% and more than 100bp inside where it printed a seven-year bond last February.

The result surprised some traders who had thought the issuer might stand down as a rates sell-off intensified following news that China may slow Treasury purchases - a story China later denied.

"I thought all those trades were going to be pulled for fear of what was happening in the market," said Klaus Spielkamp, head of fixed income sales at Bulltick in Miami.

"The whole Petrobras curve was on offer, but the mood changed after the yield on the 10-year Treasury failed to break 2.60%."

It was Rumo's second foray into the market in less than a year, and this time the company approached investors without a guarantee from its largest operating subsidiary Malha Norte.

Investors might have been expected to demand a premium for that sort of subordination, but in the end the company barely paid up as orders books were heard swelling to US$2.5bn-$3bn.

"Anytime you have a different structure it will cause some dislocation, but ultimately payment of the bond is reliant on the cashflow of the entire company and that doesn't change (for this bond)," one investor told IFR.

Rumo's 7.375% 2024, which carries such a guarantee, had been trading at around 5.85%-5.90%, and one banker calculated the same structure would come to market at just inside 6% - close to where Wednesday's deal launched.

"The existing bond has traded off, but there isn't a huge difference in price (between the two bonds)," the investor said.

S&P rated the issue at B+, one notch below the company's BB- rating, as a result of the different structure.

The extra cost was probably worth paying, given the hurdles put up by Brazilian regulators who require that companies first raise money before guarantees are granted.

In its previous deal Rumo had to embed a mandatory redemption clause in the event it failed to get the support of its subsidiary.

"It is cumbersome and there are delays in getting a guarantee," said a banker.

Fitch maintained its BB+ rating for this particular issue, noting that Wednesday's deal is expected to enhance Rumo's liquidity and improve its debt amortisation schedule.

The rating agency predicts the company will quickly deleverage this year as its aggressive investment programme starts to pay dividends.

Fitch calculates that net adjusted leverage will fall below 4 times this year to nearly 2.5 times in 2020.

Since its merger with America Latin Logistica (ALL) in 2015, Rumo has become Brazil's largest railroad operator. Its largest shareholder is Brazilian conglomerate Cosan.

BB Securities, *Bank of America Merrill Lynch*, *Bradesco*, *Citigroup*, *Itau* and *Santander* are leads on the deal, which is expected to be rated B+/BB-.

HIDROVIAS READIES DEBUT DEBT DEAL

HIDROVIAS DO BRASIL kicked off roadshows last week to market a seven-year non-call four US dollar bond.

The borrower will wrap up investor meetings in Europe on January 16 after meetings in the US.

Hidrovias is the largest independent provider of integrated waterway logistics services in South America, according to a lead bank.

Bank of America Merrill Lynch, Itau and *Morgan Stanley* have been mandated as global

coordinators, as well as joint bookrunners along with *BB Securities* and *Santander*. Expected ratings are Ba3/BB by Moody's and Fitch.

CHILE

SOVEREIGN FILES TO ISSUE MORE DEBT

The REPUBLIC OF CHILE filed with the SEC last week to issue up to US$3bn of debt.

The country was last in international markets in June when it tapped peso bonds and issued new euro and dollar deals.

The 3.86% 2047 that was issued at that time is trading at a dollar price of around 102.85-103.35, according to Thomson Reuters data.

MEXICO

BANCOMER RETURNS AFTER LONG HIATUS

BBVA BANCOMER returned to the market last week after a close to four-year absence to bring a US$1bn 15-year non-call Tier 2 subordinated Basel III capital note.

Treasury volatility and rising political risk in Mexico did little to dampen demand for the deal as order books peaked at US$4.5bn before leads tightened to 265bp Treasuries from initial levels of plus 300bp area.

Strong interest in what is Mexico's largest bank didn't come as a surprise.

Not only is BBVA Bancomer an infrequent issuer and provides some rarity value, but the subordinated Tier 2 notes offered a decent pick-up to senior debt.

"It is a big increase in yield for this kind of risk," said Klaus Spielkamp, head of fixed income sales at Bulltick.

Fundamentals are also solid at the bank whose main source of funding remains deposits, with market debt representing just 11% of its funding base, according to S&P.

"BBVA Bancomer enjoys superior financial flexibility compared to its nearest peers," the rating agency said. "We believe the bank has sound access to debt capital markets as an additional funding source, even in times of distress."

The bank issued a 15-year non-call 10 Basel III-compliant deal in 2014, but at the time regulations limiting the ability of non-listed companies to raise capital through hybrids prevented the lender from issuing more than US$200m.

That deal came at a spread of 300bp over Treasuries and was trading last week at around plus 272bp, while its larger more liquid senior 4.375% 2024s were spotted around 133bp over, according to Thomson Reuters data.

The latest deal carries mandatory non-payments and contingent capital clauses that allow the bank to defer coupons and write down the debt.

"Regulations changed a couple of weeks ago so now they are able to do a bigger size," said a banker on the deal. "This is the trade Bancomer wanted to do last time but couldn't."

Issuer ratings are A3/BBB+/A-, while the deal is expected to be rated BB+/BBB-. *BBVA*, *BNP Paribas*, *Bank of America Merrill Lynch* and *JP Morgan* were leads.

SOVEREIGN WRAPS UP FUNDING NEEDS WITH RARE EURO DEAL

MEXICO wrapped up this year's external funding needs last week, topping up its funding spree from the first week of the year with a €1.5bn 10-year, its first deal in euros since 2016.

The speed at which the country came to market was rational given the potential minefield of risks ahead including a presidential election that could result in a win for leftist candidate Andres Manuel Lopez Obrador.

"Mexico's modest growth in recent years could be further damaged if business and investor confidence erodes dramatically due to any adverse changes to economic policy and reform implementation," Fitch warned last week.

The risk that Nafta negotiations could collapse has also been creating unease, not to mention the potential for rising rates both at home and in the US.

The euro deal came just a week after the country issued over US$2.6bn in a dollar trade - a move that paves the way for state-owned oil company Pemex and other quasi-sovereigns that also have substantial funding needs this year.

"It is highly unusual that Mexico comes in both currencies so fast," said a banker. "It clears the way for Pemex to do both dollars and euros."

Despite underlying risks, Mexico appeared to have received a welcome reception among European investors with leads tightening the deal from mid-swaps plus 100bp before pricing the deal with a 1.75% coupon to yield 1.77% or spread of plus 85bp.

"Investors are pushing [concerns over Mexico] to the backburner because technicals are so strong. People have cash to spend and will deal with the risks later," said a banker.

Final pricing offered a 10bp new issue premium over the interpolated curve where the 2025s and 2029s were being quoted at 60bp and 81bp over mid-swaps, respectively, according to a banker away from the deal.

Barclays, *Citigroup* and *Santander* were leads. The sovereign is rated A3/BBB+/BBB+.

NEMAK STRIKES EARLY AMID STRONG CONDITIONS

NEMAK joined the rush of issuers tapping early this year, taking advantage of strong conditions before any potential hiccups from Mexico's presidential election and Nafta negotiations.

For now accounts are largely putting any such concerns on hold as they put money to work in Mexican credits amid continuing inflows into EM debt funds.

"Those risks are in the background, but they are not keeping people away," one banker told IFR.

"If you were to see a drop in oil, that would be a problem. But oil is doing well and acting as a nice counterbalance in the Mexico space."

Yet while investors largely like autoparts manufacturer Nemak, which is owned by the Alfa group, the company is particularly vulnerable to any breakdown in trade talks with the US.

Such risks may have played a part in Nemak's decision to come with a shorter tenor last week, not to mention a relatively smaller book of US$1.8bn versus US$3bn-$4bn on other trades that same day.

"The perception was they wanted to do a 10-year at 5% area, but they ended up doing a seven-year," the investor said. "So there was some push-back on the tenor."

Even so, pricing proved attractive enough as leads tightened to guidance of 4.875%, plus or minus 12.5bp from initial price thoughts of 5% area before pricing the US$500m seven-year non-call three at par to yield 4.75%.

At that level, the deal came 20bp over the company's existing 2023s, which had been trading at around 4.55%, according to Thomson Reuters data.

"This is not pricing in any issues with Nafta," the investor said. "You are taking a bet that everything is going to be okay."

Proceeds will be used to repay existing debt. *BNP Paribas*, *JP Morgan* and *Morgan Stanley* were leads on the deal.

Nemak is rated Ba1 by Moody's, BB+ by S&P and BB+ by Fitch.

UNIFIN HITS THE ROAD

Financing and leasing company UNIFIN started roadshows last week to market a US dollar subordinated perpetual note.

The borrower will visit investors in the US, Europe and Asia between January 11 and 23. *Morgan Stanley* is global coordinator as well as joint bookrunner along with *Barclays*, *Citigroup* and *Scotiabank*.

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FRONT STORY US MIDDLE MARKET

Lenders sweat over debt levels

Concerns about higher leverage and borrower-friendly docs

Covenant-lite issuance reached an all-time high in 2017

Lenders to US mid-sized businesses are increasingly concerned about the higher levels of debt held by middle market companies compared with a year ago, as well as what they consider to be less restrictive leveraged loan documents, a survey by Carl Marks Advisors found.

Higher leverage levels and borrower-friendly loan agreements, the result of highly competitive market conditions last year that pushed lenders to make such concessions, could impact loan portfolios if business performance comes under pressure.

Carl Marks Advisors, a mid-market-focused corporate restructuring and investment banking firm, conducted the national online survey in December 2017 of 190 participants from US middle market lending-related fields, including traditional bank lenders, alternative lenders, legal and accounting advisers, restructuring advisors, private equity and hedge fund investors, and other financial and business consultants.

"This is now the third-longest economic expansion in US history, so it is getting a little bit long-dated. Companies are not necessarily improving and there is a lot of capital - both debt and equity - chasing too few deals," Patrick Flynn, managing director at Carl MarksAdvisors, said in an interview ahead of the survey's release. "But while there is relatively more concern today than a year ago, it is not necessarily a predictor that the next contraction is any closer."

The survey found that 76% of respondents are more concerned than they were at the beginning of 2017 about leverage levels at US middle market companies.

"In 2017 many a transaction has added debt, but there has not been a lot of value created," said Joseph D'Angelo, a partner at Carl Marks Advisors. "There are not a lot of unencumbered assets left to borrow more money against. If a company doesn't perform through that, it will likely see a restructuring."

Leverage on middle market institutional deals increased in 2017 to 5.51 times total debt to Ebitda compared with 4.95 times in 2016, according to Thomson Reuters LPC data.

Regarding concessions that lenders have offered to borrowers and private equity sponsors in the face of aggressive market conditions, 48% of respondents said they considered loan documents executed in 2017 to be less restrictive for borrowers than those executed immediately prior to the 2007-2008 financial crisis. 35% said they did not consider documents to be less restrictive, while 17% said they were unsure.

Middle market covenant-lite issuance reached an all-time high of US$25bn in 2017, LPC data shows. By comparison, before the financial crisis, 2007 middle market covenant-lite volume totalled US$7.49bn.

"There is a fully functioning credit market and pressure to deploy capital remains robust. It's hard to predict what will trigger the pendulum back towards lender-friendly terms. Currently it seems that lender pushback is still being solved with price and terms," Flynn said.

LOOSE DOCS

Loan document concessions resulting in covenant-lite loans or springing covenants with lower triggers are of primary concern for respondents in 2018, followed by the allowance of add-backs to Ebitda calculations.

Covenant-lite refers to loans that are stripped of certain lender protections, including financial maintenance tests requiring the borrower to meet monthly or quarterly performance standards. Such tests serve as early warning signs in a potential default scenario. Boosting Ebitda, meanwhile, can increase a company's financial flexibility with respect to incurring additional debt or setting restricted payments, thereby increasing credit risk and weakening investor protections.

"As long as there are as many different funding sources and they keep raising capital, there are no forces that would influence loan documents to tighten up," said D'Angelo.

Investor demand for exposure to middle market lending strategies fuelled record fundraising of US$69bn in 2017, toppling the US$60bn booked in 2016, LPC data shows.

As for types of lenders expected to face the greatest challenges in their loan portfolios this year, 26% of respondents said mezzanine lenders are at the top of the list. Business Development Companies were next in line with 23%, while 18% of respondents said distressed investors and 14% selected traditional banks. Finance companies and direct lenders were tied at 6.84% each, while bank asset-based lenders and equipment finance companies were ranked least likely to face trouble, at less than 5% each.

"Many BDCs make investments in much smaller companies, which can be more vulnerable to economic contraction. BDCs also have a higher cost of capital relative to regulated banks, which dictates looking to invest in places that justify their cost of capital, which can also translate into added risk," said Flynn.

Despite heightened concerns about leverage and loan documentation, respondents were notably split regarding technical and payment defaults in 2018. 43% said defaults would increase and the same proportion said they would stay the same this year.

"We don't really expect much difference in 2018. If the economy can continue to grow, we expect to see more sector-specific situations. Changes continue to ripple through healthcare with downward pressure on both federal and state budgets," said D'Angelo. "The bitter chill has given the energy sector a boost. With prices increasing, there is more confidence around the table to do more constructive deals. We could even see some M&A there."

Leela Parker Deo

ASIA-PACIFIC

CHINA

CHEMCHINA TAKE-OUT HITS GENERAL

A dual-tranche term loan of US$5.5bn for state-owned **CHINA NATIONAL CHEMICAL CORP** has been launched into general syndication via 15 banks.

The 15 have equally underwritten the facility, which will be used to refinance a US$12.7bn bridge loan backing ChemChina's SFr43bn (US$43.45bn) acquisition last year of Swiss seeds and pesticides company Syngenta.

The mandated lead arrangers, bookrunners and underwriters are *Banco Santander*, *Bank of America Merrill Lynch*, *Barclays*, *BNP Paribas*, *China Citic Bank*, *Commerzbank*, *Credit Agricole*, *Credit Suisse*, *First Abu Dhabi Bank*, *Industrial Bank*, *Rabobank*, *MUFG*, *Natixis*, *Societe Generale* and *UniCredit*.

The borrower is **CNAC CENTURY (HK)**, while parent ChemChina and affiliates China National Agrochemical and CNAC Saturn (HK), are guarantors. The borrower, CNAC and CNAC Saturn (HK) are all wholly owned subsidiaries of ChemChina.

The bullet loan is split into a US$3.85bn three-year Tranche A and a US$1.65bn five-year Tranche B, paying interest margins tied to a ratings grid.

The respective opening margins are 153bp and 195bp over Libor, based on ChemChina's ratings of Baa2/BBB/A– (Moody's/S&P/Fitch).

Banks are being invited to participate on a pro rata basis at five ticket levels.

MLAs with US$150m or more receive top-level all-in pricing of 181.33bp for Tranche A and 215bp for Tranche B, via upfront fees of 85bp and 100bp, lead arrangers with US$100m–$149m earn all-ins of 176.33bp and 212bp, via fees of 70bp and 85bp, arrangers with US$75m–$99m receive all-ins of 171.33bp and 209bp, via fees of 55bp and 70bp, lead managers with US$50m–$74m, get all-ins of 166.33bp and 206bp, via fees of 40bp and 55bp, and managers with US$30m–$49m receive all-ins of 163bp and 204bp, via fees of 30bp and 45bp, respectively.

The US$12.7bn bridge loan being refinanced pays an opening margin of 200bp over Libor, based on a one-year tenor and ChemChina's ratings of Baa2/BBB (Moody's/S&P) or higher.

ChemChina drew the US$12.7bn facility in May 2017 to complete its acquisition of Syngenta.

ChemChina repaid part of the bridge loan in July with proceeds from US$3bn of bonds raised earlier, reducing the amount outstanding to US$8.94bn.

The US$12.7bn facility complemented a US$20.2bn non-recourse bridge loan at the Syngenta level, which was reduced to about US$7.01bn.

In addition to the two bridge loans, ChemChina raised US$20bn mainly through perpetual bonds to back the purchase.

ASIA-PACIFIC LOANS BOOKRUNNERS – FULLY SYNDICATED VOLUME (INCLUDING JAPAN)
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	DBS Group	2	252.00	17.3
=1	Mega Financial Holding	2	252.00	17.3
3	Bank of Taiwan	2	204.52	14.1
4	Sumitomo Mitsui Trust	2	133.45	9.2
5	Standard Chartered	1	132.00	9.1
=5	Cathay Financial Hldg	1	132.00	9.1
=5	Fubon Financial Holding	1	132.00	9.1
8	Taiwan Business Bank	1	84.52	5.8
=8	Taiwan Cooperative Bank	1	84.52	5.8
10	MUFG	4	47.84	3.3
	Total	**9**	**1,454.84**	

Proportional credit

Source: Thomson Reuters SDC code: S3a

HNA IN FUNDING TALKS

Debt-laden **HNA GROUP** is in exclusive talks with Hong Kong developer **SUN HUNG KAI PROPERTIES** for a loan to help refinance maturing liabilities and develop plots of land in Hong Kong acquired recently.

SHKP's exclusivity period lasts until mid-February, prior to the Lunar New Year holidays, before HNA can enter discussions with other Hong Kong property developers and real estate funds.

HNA, a Hainan-based aviation-to-financial conglomerate, is seeking a loan for an unspecified amount from SHKP and will pay an interest rate of 9% per annum.

The Chinese group is in urgent need of onshore funds to repay bridge loans and finance the development of four plots of land it purchased in Hong Kong's Kai Tak area.

HNA obtained four one-year bridge loans of a combined HK$10.82bn (US$1.39bn) to finance the land purchases and is scrambling to address the maturing obligations. One of the bridge loans – a HK$2.5bn borrowing – comes due on Monday.

HNA repaid HK$700m and extended until February the remaining HK$2.8bn of a HK$3.5bn bridge loan due in November.

HNA made its first foray into Hong Kong's real-estate market in November 2016 and within five months bought another three adjacent plots. The combined cost for the purchase of the land was HK$27.22bn. The group started construction work on the land in October.

In December, HNA chief executive officer Adam Tan played down concerns over the group's finances in an interview with a Chinese newspaper, saying that it had unused credit lines of nearly Rmb300bn (US$46bn) from domestic lenders at the end of November. He also said that the group was looking to sell overseas real estate and some other non-core assets to improve liquidity.

Pressure on HNA's finances has risen after the Chinese government told major banks in June to review their credit exposure to the conglomerate and a handful of other non-state companies.

The financial strains and concerns over its ownership structure have slowed HNA's dealmaking pace and raised questions about the group's liquidity situation.

Talks over HNA's purchase of a stake in Hong Kong fund manager Value Partners were called off earlier this month. New Zealand's regulator blocked its US$460m acquisition of ANZ unit UDC Finance, the country's largest non-bank lender, in December.

HUAWEI UPS LOAN TO US$1.5bn

HUAWEI TECHNOLOGIES has increased its five-year bullet loan to US$1.5bn from an original target of US$1.2bn on commitments from 18 banks in general syndication.

ANZ, *BBVA*, *BNP Paribas*, *Citigroup*, *Commerzbank*, *DBS Bank*, *ING Bank*, *Standard Chartered* and *UniCredit* were the mandated lead arrangers and bookrunners. Citigroup is also the facility agent.

Mandated lead arrangers are *Agricultural Bank of China*, *BayernLB*, *Caixabank*, *China Construction Bank (Asia)*, *Credit Agricole*, *Deutsche Bank*, *First Abu Dhabi Bank*, *Lloyds Bank*, *Mediobanca*, *MUFG*, *Mizuho Bank*, *Oversea-Chinese Banking Corp*, *Societe Generale*, *SMBC* and *Westpac*. Lead arrangers are *DZ Bank* and *Credit Industriel et Commercial*, while *CTBC Bank* is arranger.

The facility offered top-level all-in pricing of 112bp, based on an interest margin of 95bp over Libor.

INDIA

TATA SONS MAKES BIG RETURN

Tata Group holding company **TATA SONS** is looking to return to the offshore loan markets after more than a decade with a financing of up to US$1bn in possibly its largest such facility.

Tata Sons, which is mulling tenors of up to five years, last borrowed in its own name in April 2007, when it closed a US$150m seven-year bullet loan paying top-level all-in pricing of 57.5bp, based on an interest margin of 52.5bp over Libor.

The 2007 loan drew a dozen banks, including seven mandated lead arrangers and bookrunners. It was the largest loan Tata Sons had completed in the international capital markets.

The latest loan coincides with a couple of borrowings for other Tata Group entities currently in the market. TATA STEEL is in discussions with banks for a US$2.16bn six-year loan to refinance short-terms loans at one of its units in Singapore.

TATA MOTORS is wrapping syndication of a £640m loan that has attracted nearly 20 lenders.

YES LAUNCHES US$300m FACILITY

YES BANK has launched a three-year term loan of US$300m into general syndication with three banks at the top on its market return less than three months after the last visit.

HSBC, *Standard Chartered* and *Westpac* are mandated lead arrangers, bookrunners and underwriters on the financing, which pays an interest margin of 80bp over Libor and has a remaining tenor of 2.66 years.

Lenders receive top-level all-in pricing of 105bp and the MLA title for US$30m or more, based on a participation fee of 66.5bp, an all-in of 103.5bp and the lead arranger title for US$20m–$29m, via a 62.51bp fee, or an all-in of 102bp and the arranger title for US$10m–$19m, via a 58.52bp fee.

Funds will be used for general corporate purposes.

Last October, Yes Bank raised a US$250m five-year term loan increased from US$200m. The loan paid a top-level all-in of 138bp, based on an interest margin of 120bp over Libor.

The borrower is, rated Baa3 by Moody's.

INDONESIA

TRANSMEDIA NETS US$300m REFI

TRANSMEDIA, a unit of Indonesian conglomerate CT, and another affiliate are obtaining a dual-tranche loan of US$300m-equivalent for refinancing.

BNP Paribas, *Deutsche Bank*, *Maybank Kim Eng Securities*, *CIMB Bank* and *Standard Chartered* are mandated lead arrangers and bookrunners on the loan, which comprises a US$265m tranche and a €30m piece. The MLABs have fully underwritten and pre-funded the facilities on December 18.

Lenders have only been invited to commit to the US dollar portion, which pays an interest margin of 325bp over Libor and has a remaining average life of 3.59 years.

Including an early-bird participation fee of 10bp flat, lenders receive top-level all-in pricing of 357.03bp and the MLA title for US$30m or more, via a fee of 105bp, an all-in of 352.85bp and the lead arranger title for US$20m–$29m, via a fee of 90bp, or an all-in of 348.68bp and the arranger title for US$10m–$19m, via a fee of 75bp.

Transmedia and Televisi Transformasi Indonesia are joint borrowers. Chairul Tajung, founder and chairman of CT, has provided a personal guarantee, while Trans Rekan Media and Agranet Multicitra Siberkom are the guarantors.

Funds will be used for refinancing and working capital purposes.

The loan is the second from a CT unit within a year. Last April, Trans Retail Indonesia completed a US$575m refinancing with 24 banks in general syndication. BOC, BNP Paribas, CTBC Bank, Deutsche Bank, ICBC, Maybank and SMBC were underwriters of the five-year amortising loan, paying a top-level all-in of 380bp, based on an interest margin of 350bp over Libor and a four-year average life.

Telkom dials up euro debut

INDONESIA Financing of €1bn is telco's largest to-date

State-owned TELEKOMUNIKASI INDONESIA has approached banks for its first euro-denominated loan, in a rare example of an Asian borrower tapping the single currency.

Telkom's request for a €1bn (US$1.2bn) loan is believed to be related to an acquisition in Europe, although the company has not identified or revealed any targets, sources close to the situation have said.

Banks were invited to submit proposals on or before Friday January 12 for the dual-tranche loan, comprising tenors of one and three years, which would also be Telkom's largest syndicated facility.

The move comes amid signs that Asian companies are becoming more interested in euro borrowings as they look to diversify their funding sources and benefit from ultra-low interest rates.

Last week, Indonesian conglomerate CT's subsidiary TRANS MEDIA launched a US$300m-equivalent five-year loan, which included a small €30m tranche. In December, India's Reliance Industries signed a US$2.5bn multi-tranche loan which included a €150m portion.

In the last five years, Asian companies have raised US$35.63bn-equivalent from loans in euros, according to Thomson Reuters LPC data.

Most of those financings have been acquisition-related, including a €6.8bn loan for state-owned China Investment Corp, signed in July 2017. It ranks as an Asian borrower's largest euro loan, proceeds of which were used to buy European warehouse firm Logicor.

Asian borrowers have sold much more euro-denominated bonds in the last five years, totalling US$198bn.

EURO-BOUND

Bankers believe the time is right for Asian borrowers to raise funds in euros due to the expected direction of global interest rates. Euribor rates of three and six months were quoted at negative 0.33% and negative 0.27% last week, whereas US dollar Libor rates of similar tenors were 1.71% and 1.87%.

The differential could widen if US interest rates rise further and European ones hold steady near their record lows.

"With Euribor in the negative, it provides a compelling alternative for Asian borrowers, compared with US dollar Libor funding, which is expected to rise this year," said one senior loan banker in Singapore.

In mid-December, the European Central Bank promised to keep rates steady until the end of its quantitative-easing programme slated for September. Around the same time, the US Federal Reserve raised interest rates for the third time in 2017 by a quarter of a percentage point to a range of 1.25%–1.50%. The Fed has also flagged three additional rate increases in 2018.

Tapping euro loans could also help Asian borrowers save on withholding tax costs, applicable to interest income for lenders from certain countries. Borrowers compensate these lenders by grossing up on the withholding costs. In the case of Indonesian borrowers, the withholding tax rates are 10% of the interest.

Even if the loans for Telkom and Transmedia carried a 0% floor on the interest margin, the huge differential between Euribor and US dollar Libor means the borrowers could save 15bp–20bp in withholding tax costs.

Asian borrowers have seldom tested the depth of euro liquidity with big deals, although acquisition financings in the currency did attract lenders. Last year's €6.8bn acquisition loan for Chinese sovereign wealth fund CIC saw nine Chinese banks participate.

Telkom's loan comes with multiple factors that will appeal to lenders – it is a sizeable acquisition financing from a borrower with a strong credit profile and with rarity value.

Indonesia's largest telecom operator is rated BBB (Fitch), while unit Telekomunikasi Selular is a Baa1/BBB (Moody's/S&P) credit.

Prakash Chakravarti

TAIWAN

SINO HORIZON INCREASES LOAN

SINO HORIZON HOLDINGS increased its four-year bullet loan to US$660m-equivalent from an initial target of US$600m-equivalent.

DBS Bank, *Standard Chartered* and *Taipei Fubon Commercial Bank* were the original mandated lead arrangers and bookrunners, while *Cathay United Bank* and *Mega International Commercial Bank* shared the same title. Taipei Fubon was facility agent and StanChart was security agent.

Mandated lead arrangers are *Bangkok Bank Hong Kong branch*, *Bangkok Bank OBU*, *Bank Sinopac*, *Hua Nan Commercial Bank*, *Taishin International Bank* and *Bank of East Asia*. Lead arrangers are *Taiwan Cooperative Bank*, *Yuanta Commercial Bank*, *Chang Hwa Commercial Bank*, *CTBC Bank*, *Far Eastern International Bank*, *KGI Bank*, *Shanghai Commercial & Savings Bank*, *Taiwan Business Bank* and *Bank of Taiwan*. Arrangers are *Shin Kong Commercial Bank*, *Taichung Commercial Bank*, *Bank of Panhsin*, *Hwatai Bank* and *Jih Sun International Commercial Bank*.

The facility, which can be drawn in euros or US dollars, pays an interest margin of 217.5bp over Libor and 237.5bp over Euribor.

Lenders were offered top-level all-in pricing of 228.75bp and the MLA title, via a participation fee of 45bp.

The financing is secured against shares of Follow International with a guarantee from Sino Horizon Holdings and Jason Chang, the chairman of Taiwan-listed Advanced Semiconductor Engineering.

Proceeds are to refinance a US$440m five-year term loan signed in November 2013 and for general corporate purposes.

Taiwan-listed Sino Horizon develops residential buildings, leases department stores and offices, and manages properties for offices and department stores. Its businesses are located mainly in Shanghai, Beijing and Chongqing.

VIETNAM

VIETINBANK INTO GENERAL

VIETNAM JOINT STOCK COMMERCIAL BANK FOR INDUSTRY AND TRADE (**VIETINBANK**) has launched a US$100m term loan into general syndication.

MUFG is the sole mandated lead arranger and bookrunner of the facility, which pays an interest margin of 115bp and has a two-year average life.

Lenders are being offered top-level all-in pricing of 135bp and the lead arranger title for US$20m or more, via a participation fee of 40bp, and an all-in of 130bp and the arranger title for US$10m–$19m, via a fee of 30bp.

Funds will be used for on-lending purposes.

The borrower last raised a US$100m three-year bullet loan last February. That loan offered top-level all-in pricing of 170bp, based on an interest margin of 140bp over Libor.

VietinBank, one of the four largest state-owned commercial banks in the country, is rated B1/BB–/B+.

EUROPE/MIDDLE EAST/AFRICA

GERMANY

WACKER CHEMIE DOUBLES SCHULDSCHEIN

Chemical company **WACKER CHEMIE** has placed a €300m Schuldscheindarlehen after launching the deal for €150m in November.

The financing comprises five and seven-year tranches on fixed and floating rates.

Investors were offered a spread of 55bp–70bp on the five-year and 70bp–85bp on the seven-year.

BayernLB, *DZ Bank* and *LBBW* arranged the financing.

Wacker placed a €300m SSD in February 2012 via Helaba. That financing comprised €150m that matured in 2012 and €150m maturing in 2017.

Munich-headquartered Wacker makes a range of silanes and silicones, generating annual sales of €4.63bn in 2016.

REWE SEEKS SCHULDSCHEIN

Retail group **REWE** has launched a €500m Schuldscheindarlehen that will be used for general corporate purposes.

The financing, which was launched through REWE's financing company REWE International Finance, comprises three, five, seven and 10-year maturities on fixed and floating rates.

Investors are offered spreads of 50bp-65bp on the three-year, 65bp-80bp on the five-year, 80bp-95bp on the seven-year, and 100bp-115bp on the 10-year tranches.

Arrangers are *BNP Paribas*, *DZ Bank*, *LBBW* and *UniCredit*.

REWE placed a €300m three-year SSD in November 2014 via Commerzbank, DZ Bank and LBBW. That Schuldschein was repaid early in 2016.

The company tapped the syndicated loan market in September 2013 for a €1.75bn credit line via coordinating banks Commerzbank, MUFG and UniCredit.

The five-year loan, with two one-year extension options, paid an initial margin of 70bp over Euribor on drawn amounts and a commitment fee of 35% of the applicable margin on undrawn funds.

The loan was reduced to €1.5bn in 2016.

GEA SEEKS €150m SSD

Food processing technology firm **GEA GROUP** has launched a €150m Schuldscheindarlehen via *BayernLB*, *DZ Bank* and *HSBC*.

The financing, which will be used for general corporate purposes, comprises five and seven-year tranches on floating and fixed-rates of interest.

Investors are offered spreads of 50bp-65bp over Euribor/midswaps on the five-year tranches and 65bp-80bp on the seven-year. There is a 0% floor.

GEA placed a €300m five-year SSD in 2012 via DZ Bank and LBBW, paying a fixed rate of 2.725%. €210m of that financing was repaid early in December 2014.

The company tapped the loan market in August 2015, renewing a €650m revolving credit facility.

GEA is rated Baa2 by Moody's and BBB by Fitch.

IRELAND

GOSHAWK LANDS US$100m SSD

Aircraft leasing company **GOSHAWK AVIATION** has placed a US$100m five-year Schuldscheindarlehen via *Commerzbank* and *BNP Paribas*.

The financing was launched at US$75m after a non-deal roadshow was held in Taipei on September 19. Investors were offered spreads of 160bp to 180bp on the purely five-year financing. Six and seven-year tranches had also been proposed.

Borrowers are Dionysus Aviation Designated Activity and Maguey Dutch Aviation, Thomson Reuters LPC reported previously. The deal is guaranteed by Goshawk Aviation and Zeus Leasing Holdco.

The financing is Goshawk's second SSD after the company debuted with a US$95m unsecured Schuldschein in November 2016, becoming the first aircraft leasing company and the first Irish company to access the market.

Commerzbank, *Helaba* and *NordLB* arranged the issue, which comprised three and five-year tranches.

OMAN

BANK SOHAR MARKETS US$300m TL

BANK SOHAR has launched a US$300m three-year term loan via initial mandated lead arrangers and bookrunners *Bank ABC* and *Commerzbank*.

Axis Bank joined the deal as initial mandated lead arranger prior to launch of general syndication, which kicked off on Thursday.

The loan, fully underwritten by Bank ABC and Commerzbank, pays a margin of 200bp over Libor and will be used for general corporate purposes.

Bank Sohar closed a US$250m three-year term loan with a group of 13 banks last summer. That deal also paid 200bp over Libor.

Bank Sohar is rated Baa3 by Moody's and BB+ by Fitch.

QATAR

QNB LOAN HITS GENERAL

QATAR NATIONAL BANK's US$3bn refinancing loan has launched into general syndication.

The deal is expected to close within the next three weeks and has attracted keen appetite, a banker said.

Bank of America Merrill Lynch, *Barclays*, *Deutsche Bank*, *MUFG*, *SMBC*, *Mizuho*, *United Overseas Bank*, *Banca Intesa Sanpaolo* and *Standard Chartered* have underwritten the US$3bn loan. *HSBC* and *JP Morgan* are not underwriters but have lead roles on the deal.

The refinancing is expected to pay 25bp-35bp more than the original US$3bn loan, which was agreed in March 2015 and paid 81.7bp over Libor all-in.

That loan was signed with Barclays and HSBC as coordinators, and MUFG, Deutsche Bank, Mizuho Bank, Standard Chartered Bank and SMBC as initial mandated lead arrangers and bookrunners. It is QNB's biggest syndicated loan to-date.

DOHA BANK EXTENDS TWO-YEAR LOAN

DOHA BANK, Qatar's fifth-biggest lender, has extended by one year a two-year, US$575m bank loan that it raised in December 2015, but has reduced the size of the facility to US$400m.

"It was Doha Bank's conscious decision to have the extension at a reduced level of US$400m of the loan amount in order to streamline and optimise our funding mix and to keep the cost (at a) minimum," Kaisar Yusuf Khot, manager of the chief executive's office, said in an emailed response to Reuters questions.

Qatari banks have been working to preserve and broaden their sources of overseas funding since Saudi Arabia, the UAE, Bahrain and Egypt cut diplomatic and transport links with Qatar last June. The split caused banks from those four states to pull their deposits from Qatari institutions and reduce lending to them.

The original loan to Doha Bank, an unsecured facility, was provided by a group of banks including Bank of China, China Construction Bank, Commerzbank, ING Bank, Mizuho Bank and Wells Fargo, which were appointed bookrunners and mandated lead arrangers.

ANZ and Wing Lung Bank participated as mandated lead arrangers, and Commercial Bank of Qatar joined as lead arranger.

The loan had a one-year extension option at the lenders' discretion, meaning that at the end of its second year, lenders could decide whether or not to prolong the facility.

Doha Bank did not comment on which banks participated in the loan extension. Two people familiar with the matter said the Chinese, Hong Kong and Japanese banks in the original group chose not to participate, while ANZ, Commercial Bank of Qatar, Commerzbank, ING, and Wells Fargo did take part.

RUSSIA

METALLOINVEST SIGNS US$240m CLUB

Metals and mining company METALLOINVEST has signed a US$240m pre-export financing with a club of eight banks from Russia and Europe.

The deal has a five-year tenor with a four-year grace period.

The company said the cash will be used to refinance all Metalloinvest's existing dollar-denominated debt due in 2018-2019 and to improve its maturity profile and costs of borrowings.

Metalloinvest was last in the market in May when it signed a US$1.05bn PXF via a group of 17 banks from Europe, the US, China, Japan and Russia.

That financing comprised an US$800m five-year tranche with a three-year grace period, and a US$250m seven-year tranche with a five-year grace period.

SAUDI ARABIA

SAUDI TEL GETS M$1.5bn

SAUDI TELECOM has obtained a M$1.51bn (US$378.5m) Islamic loan through its Malaysian subsidiary.

Saudi Telecom, the Gulf's largest telecommunications operator by market value, will use the loan to refinance existing debt originally used to acquire a stake in Malaysian mobile phone firm Maxis.

STC, through its subsidiary STC MALAYSIA HOLDINGS, owns a 25% stake in Binariang GSM Holdings which in turn holds a controlling stake in Maxis.

STC Malaysia Holdings hired *MUFG (Malaysia)*, *HSBC Amanah Malaysia* and *Standard Chartered Saadiq* to arrange the deal.

MUFG will act as the investment agent to manage the cashflows of the facility and to execute the commodity murabaha transactions.

SWEDEN

TELE2 LINES UP BRIDGE

Swedish telecoms group TELE2 is backing its acquisition of internet and cable TV operator Com Hem with a committed up-to 24-month bridge loan from three banks.

Under the acquisition Com Hem shareholders will receive around 26.9% ownership of the merged company and cash totalling SKr6.6bn (US$807m).

The bridge loan will be replaced and/or refinanced with bonds or loans with longer tenors.

Combined net debt of the enlarged company will be around SKr25.5bn after proceeds of SKr1.8bn from the combination of Tele2 Netherlands and T-Mobile Netherlands and around SKr700m from the sale of Tele2 Austria are received.

At closing, the merged company will have leverage of around 2.8 times.

Tele2 said it is committed to a credit profile consistent with an investment-grade rating and is targeting leverage of 2.0 times to 2.5 times over the medium term.

Tele2 tapped the loan market in January 2016 for an €800m, five-year revolving credit facility, with two one-year extension options, via bookrunners and mandated lead arrangers Danske Bank, Nordea and SEB.

SWITZERLAND

VALORA PLACES €170m SSD

Bakery company VALORA has placed a €170m five-year Schuldscheindarlehen to refinance the acquisition of Germany-based food service company BackWerk and to refinance debt maturing in 2018.

The SSD, which will also fund the expansion of production capacity for pretzels in Germany and the US, is the second step in

Aramco seeks pre-IPO loans

SAUDI ARABIA Oil giant raising at least US$5bn with ECA backing

SAUDI ARAMCO is working to secure billions of dollars in cheap loans from banks seeking to strengthen their ties with the oil giant before its stock listing.

Citigroup, *Standard Chartered* and *SMBC* were advising on the transactions, which could raise at least US$5bn-$6bn, all with ECA backing.

The bid to raise funds is the latest indication of Saudi Arabia's push to ensure that what could be the world's biggest IPO goes ahead in 2018, despite market speculation that the sale plans might be delayed or even shelved.

The loans will offer slim returns - probably less than 1% a year - but sources said the banks hoped to position themselves for more work as the kingdom proceeds with selling up to 5% of Aramco in an IPO that could value the company at US$2trn.

For its part, Aramco wants to leverage its balance sheet before the IPO, after which it could face higher costs because, once listed, it would cease to be a solely state-owned entity benefiting from cheap funds available to sovereign borrowers.

ECAs offer loan guarantees and sometimes financing to help remove political and other risks facing exporters, encouraging trade and lowering the costs of international business.

"There's momentum for Aramco to tap this form of financing. If they did it after the IPO, they'd have to pay more," one banker said.

Citi was advising Aramco for loans backed by UK and US ECAs, Standard Chartered was advising on ECA funding from continental Europe, and SMBC was advising on transactions backed by Asian ECAs.

Aramco has already obtained a US$2bn loan guaranteed by the UK Export Finance agency. Citi had a lead role on that transaction.

It was now looking at deals which could involve the South Korean and Japanese ECAs, and at least one more deal that could involve a European ECA, the sources said.

Each of these new loans was likely to be in the range of US$2bn.

Saudi Aramco has invited banks pitching for roles in its stock market listing, including Citi and Goldman Sachs, to meetings in the kingdom in coming weeks to make their case, banking sources told Reuters this month.

Davide Barbuscia, Tom Arnold

Valora's long-term financing plans after the company completed a SFr166m (US$171m) capital increase in November.

Valora took advantage of attractive market conditions to refinance at significantly better terms, the company said.

The SSD was launched with a target of €100m but after strong interest from Swiss, German and international investors the financing closed significantly oversubscribed and was subsequently increased.

Commerzbank, *DZ Bank* and *LBBW* arranged the financing.

UAE

ADNOC TO RAISE US$3bn

ABU DHABI NATIONAL OIL CO plans to raise a US$3bn syndicated loan with the participation of Japan's export credit agency, Japan Bank for International Cooperation, Reuters reported.

The loan would be the latest of a number of large funding exercises carried out by the oil giant over the past few months.

ADNOC has chosen *HSBC*, *Mizuho* and *SMBC* to arrange the planned debt facility, which is expected to have a five-year maturity.

The loan would be the fifth facility that the oil company has obtained with the participation of JBIC after it raised similar amounts of money in 2007, 2010, 2013 and 2016.

Such loans aim to help Japanese companies secure oil supplies from Abu Dhabi, as the proceeds are generally used as a form of advance payment to ADNOC for crude oil sales to Japanese oil firms.

ADNOC tapped the debt capital markets extensively last year, through a mammoth US$6bn club loan and a US$3bn bond, which was issued by one of its subsidiaries.

The company also raised US$851m through an initial public offer of shares in ADNOC Distribution, its fuel retail subsidiary, which went public in December.

UK

ZPG LINES UP REFI

Digital property platform operator **ZPG** intends to refinance its existing debt through a combined £400m loan and bond package.

The financing will comprise a £200m five-year senior bond and a £200m revolving credit facility.

Proceeds from the financing will be used to repay all outstanding debt under the company's existing revolver, repay outstanding term loans and pay costs of the refinancing.

ZPG's existing five-year loan was originally arranged in 2015 for £150m via HSBC Bank, Barclays, Royal Bank of Scotland and Lloyds.

The facility was increased by £50m in April 2016 to back the £75m acquisition of Property Software Group.

A £75m term loan was added in January 2017 to finance the acquisition of Hometrack and ExpertAgent and a further £50m term loan was placed in September 2017 to fund the acquisition of Money.co.uk, giving total facilities of £325m.

Zoopla Property Group changed its name to ZPG in February 2017.

NORTH AMERICA

UNITED STATES

ASSURANT NETS US$1.5bn BRIDGE

Insurer **ASSURANT** has agreed a US$1.5bn 364-day bridge financing with *Morgan Stanley*, *JP Morgan* and *Wells Fargo*, to support an amended agreement for its acquisition of Warranty Group.

The bridge term loan will replace the US$1bn bridge commitment led by the same banks that was detailed at the time the acquisition was announced in October.

The facility now comprises a US$1bn backstop tranche and a US$500m incremental tranche that replaces the original 364-day loan.

Under the amended deal structure, the transaction remains valued at US$1.9bn in equity value and US$2.5bn of enterprise value including Warranty's existing debt. The deal is expected to close in the second quarter. Warranty Group is a portfolio company of TPG Capital.

In exchange for fewer Assurant shares, TPG Capital and its units will get an increased cash consideration of about US$860m.

Assurant had said it was buying Warranty as a way to expand in the Asia-Pacific region and offer vehicle protection services.

Commitment fees for the US$1bn bridge are 17.5bp, increasing to 22.5bp on October 17 2018, on the undrawn portion.

The loan pays duration fees of 50bp 90 days after closing, 75bp 180 days after closing and 100bp 270 days after closing.

Assurant is rated BBB+ by S&P and Baa2 by Moody's.

Based on its ratings, pricing opens at 137.5bp over Libor for the first 89 days, stepping up to 162.5bp until day 179, 187.5bp until day 269 and 212.5bp thereafter.

For A/A2 or above, pricing is 100bp, 125bp, 150bp and 175bp; for A-/A3 it is 125bp, 150bp, 175bp and 200bp; for BBB/Baa2 it is 150bp, 175bp, 200bp and 225bp; and for BBB-/Baa3 it is 187.5bp, 212.5bp, 237.5bp and 262.5bp.

Morgan Stanley, JP Morgan and Wells Fargo are joint lead arrangers and joint bookrunners. Morgan Stanley is sole administrative agent.

HERSHEY AGREES US$1.5bn DEAL

Candy maker **HERSHEY CO** agreed a US$1.5bn 364-day loan, with proceeds to be used for general corporate purposes and acquisitions.

Citigroup is administrative agent, with *Bank of America Merrill Lynch* as syndication agent and *Royal Bank of Canada* as documentation agent.

In December 2017, Hershey said it would buy SkinnyPop popcorn maker Amplify Snack Brands in a deal valued at US$1.6bn, including debt, to increase its presence in the fast-growing healthy snacks market.

Pricing is linked to ratings. For A+/A1 or above it is 59.5bp over Libor with a 3bp facility fee; for A/A2 it is 71bp with a 4bp fee; for A-/A3 it is 93bp and 7bp; for lower than that it is 100.5bp and 12bp.

S&P rates the company A with a negative outlook. Moody's rates Hershey's at A1 on review for possible downgrade.

LATIN AMERICA

PANAMA

GLOBAL BANK SEEKS US$135.5m

GLOBAL BANK is seeking a US$135.5m three-year senior unsecured term loan through joint lead arrangers and bookrunners *Citigroup*, *JP Morgan* and *Mizuho Bank*.

Funds will be used to refinance debt.

Global Bank last raised a US$135.5m dual-tranche incremental facility in May 2016. Bladex, Citigroup and Mizuho were the MLABs on that loan, split into a two-year, paying 190bp over Libor, and a three-year, paying 215bp over Libor.

Global Bank, rated BBB–/BBB– (S&P/Fitch), offers corporate and retail banking services in Panama and internationally.

LEVERAGED LOANS

UNITED STATES

CROWN LAUNCHES LOAN FOR SIGNODE BUY

Food packaging provider **CROWN HOLDINGS** launched a US$2.1bn dual-currency term loan to finance its acquisition of packaging company Signode Industrial Group Holdings.

Citigroup leads the transaction alongside *Deutsche Bank*, *Bank of America Merrill Lynch*, *BNP Paribas*, *Mizuho*, *Scotia*, *Santander*, *TD* and *Wells Fargo*.

The covenant-lite deal includes a US$1.25bn term loan and a €750m term loan. Both will mature in seven years and include six months of soft-call protection. The debt will amortise at 1% per year.

Guidance on the dollar-denominated tranche opened at 225bp over Libor with a 0% floor. The euros are being circulated at 275bp over Euribor with a 0% floor. The discount is being guided at 99.75.

The transaction includes a ticking fee that will pay lenders half the spread after 45 days and the full spread after 75 days.

Crown is purchasing Signode from private equity firm The Carlyle Group for US$3.9bn.

The issuer stated in a regulatory filing last Wednesday that it had amended its existing credit facility to relax covenants to permit financing for the acquisition.

Crown is rated Ba2/BB, while the loans are rated Baa2/BB+.

SPECTRUM PLASTICS has launched a US$680m acquisition loan backing the company's sale to AEA Investors by Kohlberg & Co.

Antares Capital leads the transaction. *KeyBank*, *Bank of Ireland* and *Citizens* have signed on as joint lead arrangers.

The deal comprises a US$45m five-year revolver, a US$430m seven-year covenant-lite term loan, a US$45m seven-year delayed-draw term loan and a US$160m eight-year second-lien term loan.

Pricing on the first-lien term loan is guided at 350bp over Libor with a 1% floor. The loan is offered at a 99.5 OID and has 101 soft-call protection for six months.

The delayed-draw term loan has a two-year draw period and pays a ticking fee of 1% for six months. After that the loan pays 50% of the applicable margin during months 7-12 and 100% thereafter.

The second-lien term loan is guided at 750bp over Libor with a 1% floor and a discount of 99. The loan is callable at 102 in year one, then at 101 in year two.

Chemicals company **PQ CORP** has launched a US$1.255bn seven-year term loan that will be used to refinance the company's dollar-denominated and euro-denominated term loan debt.

Citigroup is leading with *Credit Suisse*, *Morgan Stanley*, *JP Morgan*, *Jefferies*, *Goldman Sachs*, *Deutsche Bank* and *KeyBank*.

Guidance on the covenant-lite loan opened in the 275bp-300bp over Libor range with a 0% floor and a discount of 99.75.

The loan will amortise at 1%, which is the same as the existing loans.

PQ repriced its dual-currency term loan in August. The company lowered pricing on its US$920.8m term loan to 325bp over Libor with a 0% floor and its €281.2m term loan to 325bp over Euribor with a 0.75% floor.

The debt was previously priced at 425bp over Libor and 400bp over Euribor, respectively.

PHOENIX MARKETS US$530m DEAL

Steel mill services provider **PHOENIX SERVICES INTERNATIONAL** is in the market with a US$530m loan to back its buyout by private equity firm Apollo Global Management.

Barclays is leading with *Credit Suisse*, *Deutsche Bank* and *Royal Bank of Canada*.

The transaction comprises a US$465m term loan and a US$65m revolving credit facility.

Apollo is buying the company from a group led by Olympus Partners.

The company was in market with a dividend recapitalisation deal in December that was cancelled before the buyout was announced.

The proposed deal included a US$425m first-lien loan guided at 450bp over Libor, a US$140m second-lien loan guided at 850bp over Libor and a US$50m revolving credit facility.

Cyber security software firm **PING IDENTITY CORP** has launched a US$265m refinancing loan.

AMERICAS LOANS BOOKRUNNERS – FULLY SYNDICATED VOLUME

BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	JP Morgan	1	820.00	19.8
=1	Wells Fargo	1	820.00	19.8
=1	Mizuho	1	820.00	19.8
=1	MUFG	1	820.00	19.8
=1	BAML	1	820.00	19.8
6	Regions Financial	1	37.39	0.9
	Total	**2**	**4,137.39**	

Proportional credit

Source: Thomson Reuters SDC code: R7

Goldman Sachs leads with *Antares Capital*, *Macquarie Group* and *VCO Capital Markets*.

The financing comprises a US$25m revolving credit facility and a US$240m first-lien term loan B.

Price talk on the seven-year term loan is in the 425bp-450bp range with a 1% floor and 99.5 discount. The loan will amortise at 1% per year.

Lenders are offered six months of soft-call protection at 101.

Proceeds will used to refinance existing debt, pay transaction fees and increase cash reserves, according to Moody's.

The deal marks the company's debut in the institutional loan market.

Ratings are B3/B- corporate and facility.

Technology firm **XPERI CORP**, formerly known as Tessera Holding Corp, launched a repricing of its US$596m term loan due in December 2023.

Royal Bank of Canada leads the deal, guided at 250bp over Libor with a 0.75% floor. The deal includes six months of soft-call protection.

Xperi arranged the loan of US$600m last year to back its acquisition of DTS. The debt priced at 300bp over Libor.

The issuer and the debt are rated Ba3/BB-.

The company operates a product licensing unit for audio-digital radio technology and imaging, as well as a semiconductor and intellectual property licensing unit.

ARBY'S MARKETS BUFFALO LOANS

ARBY'S RESTAURANT GROUP has circulated pricing on a US$1.575bn term loan that will finance a portion of its US$2.9bn purchase of Buffalo Wild Wings.

The company also plans to sell US$485m of senior notes to back the deal.

Barclays is leading the seven-year term loan with *Bank of America Merrill Lynch*, *Credit Suisse*, *Morgan Stanley* and *Wells Fargo*.

Pricing is expected to be 375bp over Libor with a 1% floor and a discount of 99.75. The loan will have six months of soft-call protection at 101.

The company's first-lien net leverage will be 3.6 times with total leverage at 4.5 times.

The issuer is rated B2/B, while the loan is rated B1/B.

Buffalo Wild Wings will become a unit of Roark Capital Group-owned Arby's and will operate as an independent brand.

Arby's is also expected to arrange a US$150m revolving credit facility.

Educational services provider **PROMETRIC** launched US$622.5m of first-lien loans backing its buyout by Hong Kong-based Baring Private Equity Asia.

The transaction comprises a US$572.5m seven-year term loan and a US$50m five-year revolving credit facility. The company is also privately placing a US$205m second-lien term loan.

Barclays is leading the first-lien loans with *Deutsche Bank* and *Nomura*.

Guidance on the term loan opened at 350bp over Libor with a 1% floor and a discount of 99.5. The covenant-lite deal includes six months of soft-call protection at 101.

The issuer is rated B2/B, while the first-lien debt is rated B1/B.

Bath accessories and home fashion products maker **LACES GROUP** has launched a US$221m financing backing its leveraged buyout by ONCAP.

BNP Paribas leads the deal, which comprises a US$35m five-year revolving credit facility and a US$186m six-year term loan B.

The term loan is guided in the 500bp-525bp over Libor range with a 1% floor and 99 OID.

Term loan lenders are offered six months of soft-call protection at 101 and 1% annual amortisation.

The facility, which is unrated, will be subject to a total net leverage covenant.

ONCAP is Canadian private equity firm Onex Corporation's middle market platform.

LOAN FOR BILLABONG BUY

Surfwear retailer **BOARDRIDERS** will use US$600m of loans to back its purchase of Australian peer Billabong International.

The acquisition, announced on January 4, comes roughly two years after California-based Boardriders - formerly known as Quiksilver - emerged from a five-month stint in bankruptcy court precipitated by competition and operational issues that plagued performance.

The designer and distributor of brands including Quiksilver, Roxy and DC Shoes filed for Chapter 11 bankruptcy protection in September 2015 and transferred control to US private equity firm Oaktree Capital Management, its largest debtholder, as part of the restructuring process.

The investment firm holds 19% of Billabong, owner of the eponymous brand as well as RVCA, Element, VonZipper and Xcel. Oaktree received the stake in connection with a rescue financing package it provided to Billabong in 2013 along with US private equity firm Centerbridge Partners, which owns 19.2%.

Boardriders' new debt will include a US$150m asset-based revolving credit facility and a US$450m term loan with a first priority claim.

Bank of America Merrill Lynch will arrange the revolving credit facility. *Deutsche Bank* will lead the term loan alongside BAML and *Macquarie Capital*.

Proceeds will be used to fund the Billabong acquisition and refinance debt at both companies.

Boardriders is buying Billabong for an enterprise value of A$380m (US$299m), or a multiple of 7.4 times Billabong's pro forma 2017 Ebitda. The valuation is equivalent to roughly US$300m.

The combined company's Ebitda will total roughly US$100m, not accounting for synergies arising from the merger.

Syndication of the financing is likely to begin in March, although timing is dependent on factors influencing the transaction, such as shareholder, court and regulatory approval.

Software developer **FLEXERA** will launch on Tuesday a US$675m first and second-lien credit facility.

Jefferies is arranging the transaction.

Proceeds from the credit, together with a new cash equity investment from TA Associates, will be used to refinance existing debt and fund the purchase of a minority stake in the company by TA.

Flexera announced the new investment by TA in a statement on December 19 and said TA is acquiring equity from existing investors.

Ontario Teachers' Pension Plan will remain the majority owner. The firm bought a majority stake in the company in October 2011.

SS&C TAPS FOR DST BUY

Software maker **SS&C TECHNOLOGIES HOLDINGS** has received committed debt financing from *Credit Suisse* and *Morgan Stanley* to back its acquisition of DST Systems for US$5.4bn, including debt.

SS&C said it will acquire DST, a technology-based information processing and servicing firm, as it seeks to expand its footprint in financial technology software through its largest deal to-date.

SS&C is paying US$84 in cash for each DST share, representing a premium of 29% to the stock's close on Tuesday.

The deal will help bolster SS&C's offerings to financial institutions such as asset managers, and also allow it to enter the healthcare information technology market, where DST is active.

SS&C said it plans to fund the acquisition and refinance existing debt with a combination of debt and equity.

SS&C expects pro forma net leverage to be in the low 5.0 times area at closing and will deleverage by approximately 0.7 time per year.

Consolidated last 12 months' Ebitda for the combined pro forma entity at September 30 is roughly US$1.3bn, including synergies.

Caribbean mobile phone network **DIGICEL GROUP** has launched a repricing of its US$955m term loan due in May 2024.

Citigroup is the sole arranger.

The issuer is looking to cut pricing to 350bp over Libor with a 0% floor.

In May 2017, Digicel priced the existing loan at 375bp over Libor with a 1% floor after upsizing its proposed loan offering to US$955m from US$635m. Proceeds were used to refinance notes.

The corporate rating is B2/B. The debt rating is Ba2/B+.

JEFFERIES BACKS LUCID LBO

Jefferies is providing committed debt financing for midstream company **LUCID ENERGY GROUP II**'s US$1.6bn buyout by Riverstone Holdings and Goldman Sachs Merchant Banking Division.

The assets included in the transaction are the South Carlsbad Natural Gas Gathering and Processing System and the Artesia Natural Gas Gathering and Processing System, in the northern Delaware Basin.

They include about 1,700 miles of natural gas gathering pipelines and 585m cubic feet per day of processing capacity. An additional 200MMcf/d is under construction and slated to be online by mid-2018.

Lucid II was formed in 2015 by EnCap Flatrock Midstream.

Global electronic payment company **VERIFONE** has outlined its refinancing, led by *JP Morgan*.

The transaction will comprise a US$700m revolving credit facility, a US$350m term loan A and a US$350m term loan B.

Guidance is circulating at 175bp over Libor, subject to a leverage-based grid, with a 0% floor and 99.75 OID on the revolving credit facility and TLA, and at 225bp over Libor with a 0% floor and 99.5-99.75 OID on the TLB.

TLB lenders are offered six months of soft-call protection at 101.

The company in July 2014 placed a US$500m revolving credit facility and a US$600m TLA, both due in 2019, and a US$200m TLB due in 2021. Proceeds repaid existing debt and backed general corporate purposes.

The TLB priced at 275bp over Libor with a 75bp floor.

Existing ratings are Ba2/BB corporate and Ba2/BB+ facility.

CLOs could see record year

US Rising interest rates to push investors toward product

The US CLO market may be heading for a record year in 2018 as investors seek floating-rate assets as a hedge to rising interest rates.

More than US$117bn of US CLOs was raised in 2017, the second-largest year of issuance ever, on the back of increased investor appetite. With expectations for similar economic conditions this year, banks are optimistic for 2018, including Wells Fargo, which is predicting a record US$125bn in issuance.

Rising interest rates may push investors toward products that thrive in a rising-rate environment, including leveraged loans and CLOs. JP Morgan in November said it is expecting four rate hikes in 2018.

"Higher front-end rates should generally be supportive for loans and CLOs," said Brad Rogoff, head of credit strategy at Barclays.

Initial concerns that regulations requiring managers to hold onto a portion of their fund's risk would temper issuance – original 2017 US CLO forecasts were just US$50bn-$70bn – were shrugged off as firms raised new money to comply with the rule. This fundraising, aimed at supporting multiple CLOs over the course of a few years, opened the market to new investors, helping to buttress volume.

"The retention dynamic has helped open [the market] to a lot more people than just CLO diehards," said Tom Majewski, founder of Eagle Point Credit Management, which invests in the equity and junior debt of CLOs.

The Dodd-Frank Act risk-retention rule that took effect on December 24 2016 requires managers to hold 5% of their funds. While questions about the regulation's application persisted throughout 2017, firms were able to develop plans and raise funds to comply.

"Many managers went to investors that were willing to open programmatic investing in the asset class through risk retention rather than investors that look on a deal-by-deal basis," said John Wright, head of Bain Capital Credit's CLO/structured products business. "This increased both the number and the types of investors, and that has created a lot of demand for CLOs."

CHANGING THE RULES

The rule as the market knows it may soon be a thing of the past, as President Donald Trump vows to dismantle Dodd-Frank. The Treasury Department recommended in October that a qualified risk-retention exemption for CLOs be introduced.

The uncertainty around the continuation of regulations has slowed retention fundraising, Majewski said.

Managers this year are also expected to continue reworking existing deals after a record US$164.8bn of US CLOs were refinanced or reset in 2017, according to Thomson Reuters LPC Collateral data. Bank of America Merrill Lynch analysts predict US$100bn of refinancing and reset activity in 2018.

In a refinancing, the spreads paid to the most senior investors, the Triple A holders, are cut, increasing payouts to equity holders who are paid last with the interest left over after all debtholders receive their distributions. A reset extends the maturity of a CLO, allowing it to stay in place longer.

Triple A spreads on new deals are also expected to continue to tighten, with Bank of America Merrill Lynch forecasting they could drop to 90bp-95bp. A handful of funds issued in the final two months of last year paid investors 107bp after the first US CLO of 2017 priced its most senior tranche at 145bp, according to LPC Collateral data.

A limiting factor to strong issuance this year may be a lack of new collateral in the loan market, according to Laila Kollmorgen, a managing director in leveraged finance at PineBridge Investments.

A record US$923.8bn of US institutional loans was arranged in 2017, but US$503.2bn of that debt was the refinancing of existing loans, according to LPC data.

To counter a lack of new credit and the lower coupons from those refinancings, firms may consider buying high-yield bonds for their funds, which pay higher spreads that may help boost returns. CLO managers had largely stopped purchasing that type of debt following the release of the Volcker Rule, which prohibits banks from investing in CLOs that owns bonds.

"We may get some further issuance of CLOs that are non-Volcker-compliant because of the desire by CLO managers to issue but are finding it difficult to access loan collateral," Kollmorgen said.

Kristen Haunss

DEASON 74 MINERALS, which owns mineral rights in the Eagle Ford Shale region, is marketing a US$300m six-year term loan.

Proceeds will be used to back a distribution to the issuer's parent company, Cathexis Holdings, as well as for general corporate purposes.

Bank of America Merrill Lynch is the sole arranger on the covenant-lite first-lien.

Guidance opened at 650bp over Libor with a 0% floor and a discount in the 98-99

range. The loan will not be callable during the first year followed by call protection of 102/101.

MAXLINEAR PULLS REPRICING

Semiconductor circuit maker **MAXLINEAR** has notified lenders it has pulled the repricing of its US$355m term loan.

JP Morgan was leading the transaction.

The bank did not specify the reason for withdrawing the deal, but it had been met with strong demand.

The loan, which matures in May 2024, was guided at 225bp over Libor with 0.75% floor, compared to existing pricing of 250bp over Libor with a 0.75% floor.

It was offered at 99.875-100 with six months of soft-call protection at 101.

The publicly traded company made its debut in the leveraged loan market in March 2017 with the term loan, which originally totalled US$425m, to back its roughly US$688m acquisition of Excar, according to Moody's.

Existing ratings are Ba3/BB- corporate and facility.

Roofing and building products maker **HENRY CO** closed a repricing on Friday of its US$316.8m term loan due in October 2023 and an add-on of US$115m.

The company plans to use the new money to help finance the acquisition of Fortifiber.

Royal Bank of Canada led the deal with *Credit Suisse*, *Antares* and *Nomura*.

The existing debt and the add-on are expected to price at 400bp over Libor with a 1% floor. Both are expected to be issued at par.

The transaction will refresh soft-call protection of 101 for six months.

Henry originally arranged the loan in October 2016 for US$320m to support its buyout by private equity firm American Securities. The loan priced at 450bp over Libor with a 1% floor.

The issuer and the debt are rated B2/B.

Electronic market maker **VIRTU FINANCIAL** has paid down its term loan to US$626m instead of US$650m as originally anticipated.

At the same time, the company successfully lowered pricing on the loan to 325bp over Libor with a 1% floor from 375bp over Libor.

The company used proceeds from the sale of BondPoint to IntercontinentalExchange to pay down the loan. Virtu has now paid down US$526m on the loan.

JP Morgan led the transaction.

Virtu originally arranged a loan of US$1.15bn in June to back its purchase of competitor KCG Holdings and to refinance debt.

BARRACUDA LOWERS PRICING

Cloud-based security company **BARRACUDA NETWORKS** lowered pricing on the first and second-lien loan package backing its sale to private equity firm Thoma Bravo.

Goldman Sachs led with *Credit Suisse* and *UBS*.

The deal is split between a US$555m seven-year first-lien term loan and a US$205m eight-year second-lien term loan.

The first-lien loan priced at 325bp over Libor with a 1% floor, compared with 350bp-375bp with a 1% floor originally. The discount was tightened to 99.75 from 99.5.

Lenders were offered six months of soft-call protection at 101.

The second-lien loan priced at 725bp over Libor with a 1% floor, versus 750bp-775bp with a 1% floor initially. The discount was reduced to 99.5, from 99.

The tranche is structured with a 102/101 hard-call schedule.

The loans will feature a ticking fee that kicks in at 50% of the margin 45 days after allocation and steps up to 100% of the margin 75 days after allocation until funding.

The financing includes a US$75m five-year revolving credit facility.

Thoma Bravo is purchasing the company for US$27.55 per share. The deal will be supported by US$774m of equity, for total capitalisation of US$1.534bn.

Ratings are B3/B-/B corporate, B2/B-/BB- first-lien and Caa2/CCC+/CCC+ second-lien.

SMG has increased the size of its first-lien term loan by US$20m, lowered the second-lien tranche by the same amount, and tightened pricing on both loans.

The total size of the deal, which backs the company's buyout by Onex Corp, remains US$650m.

The covenant-lite acquisition funding now comprises a US$55m revolving credit facility, a US$415m seven-year first-lien term loan and a US$180m eight-year second-lien term loan.

The first-lien term loan spread was cut by 25bp to 325bp over Libor with a 0% floor, and the OID narrowed to 99.875 from 99.5 at launch.

The second-lien term loan spread decreased by 50bp to 700bp over Libor with a 0% floor. The discount tightened to 99.75 from 99.

The first-lien will have 101 soft-call protection for six months, while the second-lien is callable at 102 in year one, then at 101 in year two.

Jefferies, *Nomura* and *Macquarie* arranged the deal. Jefferies is lead-left on the first-lien portion and Nomura is lead-left on the second-lien.

Philadelphia-based SMG is a venue management company.

Network security firm **INFOBLOX** finalised terms on the wide end of guidance on the repricing of its US$497.5m term loan due in November 2023.

The spread was set at 450bp over Libor with a 0% floor after circulating at 425bp-450bp. The loan originally priced in November 2016 at 500bp over Libor with a 1% floor.

Bank of America Merrill Lynch led the covenant-lite transaction, which includes six months of soft-call protection at 101.

The company is rated B2/B-, while the loan is rated B1/B-.

Infoblox arranged the US$500m first-lien term loan alongside a US$250m second-lien term loan to support its buyout by Vista Equity Partners. The second-lien priced at 875bp over Libor.

US ANESTHESIA INCLUDES REPRICING

Healthcare company **US ANESTHESIA PARTNERS** has broadened its add-on TLB transaction to include a repricing of its US$948m TLB due in June 2024.

Goldman Sachs leads with *Barclays*, *JP Morgan*, *Morgan Stanley*, *BMO*, *Capital One* and *Antares*.

Commitments are due on Tuesday.

The entire tranche, including the fungible US$190m add-on, is guided at 300bp over Libor with a 1% floor, with no step-down.

The add-on was previously guided in line with current pricing on the outstanding loan at 325bp over Libor with a 1% floor and a step-down to 300bp when net first-lien leverage is 4.0 times or less.

The repriced loan is offered at par, while the add-on remains offered at 99.75.

Lenders will receive a six-month, 101 soft-call reset.

Proceeds will be used for acquisitions.

The existing tranche was placed in June to back a dividend recapitalisation.

Ratings are B2/B corporate, B1/B first-lien and Caa1/CCC+ second-lien.

Payment technology provider **WEX** increased an add-on to its term loan due in July 2023 and set terms on the repricing of the existing debt.

The new loan will be used to pay down revolving credit facility borrowings. The debt will be fungible with the existing loan.

The combined debt will total US$1.335bn priced at 225bp over Libor with a 0% floor.

The company repriced the term loan in June 2017 to 275bp over Libor with a 0% floor. At that time the loan totalled US$1.91bn.

The deal includes soft-call protection of 101 for six months.

The issuer and the loan are both rated Ba3/BB-.

Bank of America Merrill Lynch led with *Citizens*, *MUFG*, *SunTrust* and *BMO*.

FOCUS FINANCIAL REPRICES

Wealth management firm **FOCUS FINANCIAL** was expected last week to reprice its US$793m term loan due July 2024 to 275bp over Libor with a 0% floor.

Royal Bank of Canada was leading the deal, which was scheduled to close on Friday.

The loan was priced at 325bp over Libor with a 0% floor in May 2017 and supported Focus Financial's buyout by private equity firms Stone Point Capital and KKR.

The repricing includes six months of soft call protection at 101.

The company is rated B1/B+. The loan is rated Ba3/B+.

Business software provider **INFORMATICA CORP** was scheduled to close a repricing and restructuring of its approximately US$1.9bn loan on Friday.

The company is downsizing the dollar-denominated portion to US$1.4bn from US$1.6bn and increasing the euro-denominated tranche to €442.6m from €242.6m.

Banks prep €5.65bn Unilever spreads financing

EUROPE Deal expected to include a €3.9bn-equiv term loan

US private equity firm KKR's €6.83bn acquisition of **UNILEVER**'s margarine and spreads business will be backed with €5.65bn-equivalent of debt financing.

The maker of Knorr soup and Dove soap announced the deal in December.

Credit Suisse, *Deutsche Bank* and *KKR Capital Markets* are expected to lead the debt financing, alongside a number of other banks that could include *BNP Paribas*, *ING*, *Lloyds*, *RBC* and *UniCredit*, although no banks have received a mandate as of yet.

The debt financing is expected to include a €3.9bn-equivalent term loan - which will be mainly denominated in euros and will include some US dollars and Polish zloty - as well as around €1.050bn of senior unsecured notes and a €700m revolving credit facility.

The debt financing is expected to launch for syndication in the first half of February.

The deal has been widely anticipated by debt investors, eager to invest in new paper in a jumbo event-driven financing.

"Unilever spreads is a resilient business that generates a lot of cash flow and that makes it very attractive from a debt perspective. There is a lot of liquidity out there and this is a hotly anticipated, must-do deal that funds will want exposure to," a senior banker said.

The brands to be sold include Becel, Flora, Country Crock and Blue Band.

Unilever put the business up for sale in April 2017, following a review of its assets prompted by February's unsolicited US$143bn takeover attempt by Kraft Heinz.

KKR has a long history in the consumer sector and it has investments in India's Coffee Day Resorts and Chinese white goods maker Qingdao Haier. Last year, KKR bought majority control of vitamin maker Nature's Bounty.

Claire Ruckin

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Alcentra launches latest BWIC

SECONDARY MARKET Sale is part of wider market CLO 1.0 farewell

Bids are due on a €127m portfolio of loans from ALCENTRA put up for sale in Europe's secondary loan market.

It is the latest Bids Wanted In Competition to hit the market, which has been flooded with portfolio sales so far this year, continuing a trend that started towards the end of last year as CLO 1.0s are called and managers realise profits and rotate portfolios after heavy issuance in H2 2017.

It is expected the BWIC trend will continue for the next few months as the market sees the last of the CLO 1.0s sold off.

Many CLO 1.0s have been around longer than people first imagined as borrowers engineered deals a few years ago, such as amend and extends, to keep the vehicles going.

With so much liquidity now in Europe's leveraged loan market, the need for CLO 1.0 liquidity has become redundant. Borrowers are instead tapping into a wealth of CLO 2.0s and managed account cash to refinance and reprice.

As many loans have refinanced with new loan or bond facilities, the collateral pool of the CLO 1.0s has also diminished drastically over the past 12 months, as has its diversity.

"Four years ago a borrower might deliberately launch an A&E to keep the CLO 1.0s there. Now there is plenty of liquidity so borrowers are just refinancing. Diminishing collateral and diversity has restricted any future equity upside, hence all CLO 1.0s are getting called now and over the next three months," a senior manager said.

"Those vehicles had hard maturities and they can't keep extending beyond the life of them. It is right they are coming to an end and it is amazing they went as long as they did."

Alcentra's BWIC comprises 14 names, across a number of tranches, and bids are due on Monday.

It has an average bid of 100.2, according to Thomson Reuters LPC data.

Some of the larger positions include €22.5m of French funeral firm OGF, €14.8m of German publishing group Springer Science, and €11.2m of software company Lawson.

Other BWICs last week totalled €56m, €41m-equivalent and €25m-equivalent. The sellers were Henderson, CSAM and Ares.

They come after bids were due on a further three portfolios earlier in January from GSO, CVC and M&G.

Claire Ruckin

Bank of America Merrill Lynch was leading with *Goldman Sachs*. The loans will both continue to mature in August 2022.

As part of the transaction, Informatica asked lenders to lower pricing on the dollar tranche to 325bp over Libor from 350bp and to cut the floors to 0% from 1% on both the dollar and euro tranches. The euros were expected to remain priced at 350bp over Euribor.

The dollar-denominated portion of the deal was expected to be priced at par. Existing lenders were also expected to issue the euros at par while new lenders will see a discount in the 99.75 to 100 range.

The deal includes six months of soft call protection at 101.

Bank of America led the US$1.71bn loan for Informatica in June 2015, which supported its buyout by Permira and Canada Pension Plan Investment Board. The euro tranche was originally sized at €250m at that time.

Informatica is rated B3/B–, while the loans are rated B2/B.

Aerial imagery provider EAGLEVIEW TECHNOLOGY CORP asked lenders to drop pricing on its US$334.1m covenant-lite term loan due July 2022.

Morgan Stanley led the deal with *Nomura*. It was scheduled to close last week.

The company was aiming to lower the spread to 350bp–375bp over Libor with a 0% floor. The loan was previously at 425bp over Libor with a 1% floor.

EagleView tacked US$100m onto the loan in September 2017 to refinance its second-lien term loan. The loan was originally lined up in July 2015 at a size of US$240m to back the issuer's buyout by Vista Equity Partners.

The repricing transaction will reset soft call protection of 101 for six months.

The issuer and the loan are rated B3/B.

EUROPE/MIDDLE EAST/ AFRICA

EQT GOES DOUBLE DUTCH

Dutch telecom infrastructure operator DELTA has launched €650m of loans backing its combination with Dutch peer CAIWAY, following EQT Infrastructure's announced purchase of the latter late last year.

The debt comprises a €500m seven-year term loan B, a €120m six-year acquisition/capex facility and a €30m six-year revolving credit facility.

The covenant-lite TLB is guided at 375bp-400bp over Euribor with a 99.5 OID. The revolver and the acquisition/capex are guided at 325bp over Euribor and include a springing covenant. All three tranches have a 0% floor.

EQT's Infrastructure fund III announced its acquisition of Caiway in November 2017, having bought Delta in February 2017.

Credit Suisse and *ING* are joint bookrunners and mandated lead arrangers, joined by mandated lead arrangers *ABN AMRO*, *Rabobank* and *SEB*.

Proceeds will also refinance Delta's existing debt.

The combined company generates over €300m in sales a year, and brings together the leading operator of telecoms infrastructure in the Dutch province of Zeeland in Delta with the second largest fibre infrastructure operator throughout the Netherlands in Caiway.

EQT is acquiring Caiway through its holding company CIF Holding.

FRONERI LINES UP €1.6bn REFI

UK ice cream and frozen food business FRONERI has launched €1.64bn-equivalent of loans to refinance debt issued during the formation of the entity as a joint venture between Nestle and R&R Ice Cream.

The deal comprises €1.2bn and £215m seven-year term loan Bs, alongside a €220m six-year revolving credit facility.

The euro term loan is offered at 275bp-300bp over Euribor, while the sterling loan is guided at 350bp-375bp. Both have an OID of 99.75-par.

The revolver is guided at 225bp-250bp with a 0% floor.

Proceeds refinance an €800m term loan B and an €800m shareholder loan from Nestle to the business, both of which were signed during the JV's formation in late 2016.

Both of the new term loans have six months soft-call protection at 101.

Citigroup, *Credit Suisse*, *Deutsche Bank* and *Goldman Sachs* are arranging the deal.

The JV combined the two companies' ice cream businesses in Europe, the Middle East, Argentina, Australia, Brazil, the Philippines and South Africa, and also includes Nestle's European frozen food business, excluding pizza and retail frozen food in Italy, and its chilled dairy business in the Philippines.

FLAMINGO TEES UP LOANS

UK flower and vegetable supplier FLAMINGO has launched a €310m loan package to back its merger with rose producer Afriflora and refinance existing debt.

The deal comprises a €280m seven-year covenant-lite term loan B and a €30m six-year multi-currency revolving credit facility.

The term loan is guided at 500bp over Euribor with a 99 OID, while the revolver is guided at 375bp with a 99.5 OID.

Credit Suisse, *Investec* and *Jefferies* are joint bookrunners.

Sun European Partners agreed to buy Afriflora, alongside founders the Barnhoorn family, from KKR late last year. Afriflora produces over 1.1bn roses a year, cultivated from its 500 hectares of farmland in Ethiopia.

Sun previously bought Finlays Fresh Produce in 2015, subsequently rebranding it as Flamingo, which is the second-largest supplier of flowers and vegetables in the UK.

PLANASA DETAILS €235m DEAL

Spanish berry and vegetable supplier PLANASA has launched syndication of €235m of loans partially backing its buyout by Cinven.

The senior secured financing comprises a €195m seven-year term loan B and a €40m six-year revolving credit facility.

The term loan is guided at 450bp-475bp over Euribor with a 0% floor and a 99 OID. The RCF is guided at 375bp over Euribor with a 0% floor, at par.

The term loan includes 101 soft call for six months.

Credit Suisse, *UBS*, *BBVA* and *Santander* are bookrunners on the financing.

Cinven said it had agreed to acquire a majority stake in Planasa in October for around €450m. Previous owner and chief executive Alexandre Darbonne will continue to hold a significant shareholding.

Corporate and issue ratings are B2/B.

BERLYS-BELLSOLA SEEKS LBO LOAN

A €375m leveraged loan financing backing French private equity firm Ardian's acquisition of Spanish bakeries BERLYS and BELLSOLA has launched for syndication.

BNP Paribas, *Credit Agricole*, *ING* and *Natixis* have underwritten the debt financing.

A €325m seven-year covenant-loose term loan is guided to pay 400bp over Euribor with a 0% floor. It is offered with a leveraged covenant.

A €50m six-year revolving credit facility is guided at 375bp over Euribor.

Ardian announced the acquisition of Berlys, from funds Alantra and Arta Capital, and Bellsola in November.

The sponsor plans to merge the two firms, creating a business with around €300m in combined revenues.

GLOBAL UNI SEEKS £600m DEAL

European higher education provider GLOBAL UNIVERSITY SYSTEMS has launched a £600m-equivalent leveraged loan to refinance existing debt and fund an acquisition.

HSBC is sole global coordinator alongside bookrunners and mandated lead arrangers *Bank of America Merrill Lynch*, *Citigroup*, *Goldman Sachs* and *BMO Capital Markets*.

The loan comprises a €300m term loan B and a US$150m term loan B, guided to pay 425bp over Euribor/Libor, as well as a minimum £150m term loan B guided to pay 450bp over Libor.

The euro and dollar term loans are offered with a 99.5 OID.

All the term loans have a seven-year maturity and are offered with a 0% floor with 101 soft-call for six months.

There is also a £75m six-year revolving credit facility, guided to pay 375bp over Libor.

ALTRAN LAUNCHES TO GENERAL

French technology consultancy ALTRAN has launched the €2.125bn-equivalent term loan B backing its acquisition of US digital design and engineering services firm ARICENT to general syndication.

The senior secured term loan will have euro and dollar tranches and, alongside a €250m bridge facility, pays the €1.7bn price tag for Aricent as well as refinancing existing debt at Altran.

Credit Agricole CIB, *Goldman Sachs* and *Morgan Stanley* underwrote the loan and will also underwrite a €750m rights issue to refinance part of the committed financing.

The lead banks had started marketing the bridge facility to Altran's relationship banks following the acquisition's announcement in December.

A shareholder meeting to authorise the rights issue is scheduled for January 26.

Pro forma for the debt and equity issuance, Altran's net leverage will increase to 3.2 times its adjusted Ebitda of €449m for the year to September 30 2017. It plans to delever to 2.5 times within two years of closing, which is expected this quarter.

Altran's acquisition of California-based Aricent from a group of investors led by KKR is the largest of a series of deals done by the French business, and will create a group with revenue of almost €3bn.

ASIA-PACIFIC

LINK LBO LOAN IN MARKET

A three-year leveraged buyout loan of HK$13.8bn (US$1.77bn) to fund a consortium's winning bid to acquire commercial properties from LINK REAL ESTATE INVESTMENT TRUST has been launched into senior syndication.

ANZ, *Standard Chartered* and *UOB* are the mandated lead arrangers and bookrunners on the bullet loan, which pays an interest margin of 185bp over Hibor.

MLABs with HK$3bn or more earn top-level all-in pricing of 200bp, via an upfront fee of 40bp and an underwriting fee of 5bp, while MLAs with HK$1.5bn–$2.9bn receive an all-in of 195bp, via an upfront fee of 30bp.

Hong Kong-based Gaw Capital Partners, a private-equity real-estate firm, focused on Greater China and Asia, leads the consortium that agreed in late November to pay HK$23bn to buy the properties from Link REIT. EVERWELL CITY is the acquiring entity.

The portfolio of 17 properties, including shopping malls and cars parks in public housing estates located in older urban districts in Hong Kong, will form the security for the loan.

The loan, which has 17 borrowers and is dubbed "Project Doris", marks the largest LBO facility from Hong Kong.

Link, Asia's largest REIT in terms of market capitalisation, will have about 90% of its assets in Hong Kong and 10% in China after the divestment. The total portfolio value would be about HK$175bn, the company said in late November, when announcing the sale to the Gaw Capital consortium.

CMB WINS PET FOOD MANDATE

China Merchants Bank has won the sole mandate on a A$400m (US$315m) seven-year loan backing the acquisition of Australia's REAL PET FOOD CO in a first for a Chinese lender bagging such a role on a leveraged buyout financing Down Under.

CMB, via its Sydney and New York branches, has underwritten the financing, which comprises a A$375m term loan Tranche A and a A$25m revolving credit Tranche B.

The acquiring consortium includes Beijing-based private equity firm Hosen Capital, New Hope Group, China's largest private agribusiness firm, and sovereign wealth funds China Investment Corp and Singapore's Temasek Holdings. Other members of the consortium include Genbridge Capital, Sichuan Haidilao Catering Co Ltd, Pavilion Capital and Hong Kong's Keywise Capital.

The loan offers an interest margin of 250bp over six-month BBSY and has a blended average life of 5.17 years.

The borrowing represents a leverage multiple of about 5.02 times based on RPFC's estimated Ebitda for 2018 of slightly under A$80m.

Banks are being invited to join as co-lead arrangers with commitments of A$50m or more for upfront fees of 25bp, or as participants with A$20m–$49m tickets for a 15bp fee.

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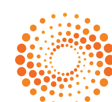

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FRONT STORY US

PE firms pump out oilfield services IPOs

Flotations return as oil prices recover. Liberty Oilfield, Nine Energy revive funding plans

US oilfield services companies are once again pumping the IPO market for funding amid recovering oil prices. Several saw their plans thwarted last year as oil retreated, which has led to a more cautious approach this time around.

LIBERTY OILFIELD SERVICES, a PE-backed oil fracker, used a combination of deeply discounted valuation and small size to land US$216.4m on its IPO, a classic momentum-builder capital markets strategy.

It was a far cry from the egotistical approach of last year's effort when the company was to list with the ticker BDFC - best damn fracking company. This time around it opted for LBRT.

"A lot of questions from investors [were] about the potential for an increase," one banker involved in the underwriting syndicate told IFR on Wednesday, shortly after bookbuilding closed.

Final day guidance was of "high-end or above" pricing and *Morgan Stanley*, *Goldman Sachs* and *Wells Fargo* ended up placing 12.7m shares at US$17, above the US$14-$16 marketed range and a slight increase from 10.7m shares. There is a 1.9m all-secondary share greenshoe that would allow sponsors to partly cash out.

"Liberty did not really need more money. They are conservatively levered and have sufficient liquidity," said a second banker that worked on the offering.

Liberty traded early on Friday on debut at US$21.60, up 27.1% from offer.

BEEN HERE BEFORE

Liberty has been down this road before. The company pulled an earlier run at the public markets last April, despite lowering the asking price on 22m shares from US$16-$19 to US$12-$13 on 20m shares.

A lot has changed. WTI oil has bounced from the high-40s to US$63.75 on Friday. In addition, Liberty is larger and its operations are enjoying the upswing in oil.

Liberty currently operates 19 fleets with combined capacity of 760,000 horsepower and expects to generate US$280m of adjusted Ebitda in 2017 on revenue of US$1.5bn. That compares with just US$34.5m and US$568.5m, respectively, in the trailing 12 months when it marketed its IPO last May.

Liberty should pump out north of US$500m of cash flow this year, based on projections of the underwriting banks, if all goes according to plan.

The near-term opportunity is evident.

There are some 7,300 wells in the US that were drilled but uncompleted at the end of November, up from 5,400 a year earlier, the US Energy Information Administration reported last month.

That opportunity is evident to others.

NINE ENERGY SERVICES, a provider of well workover services, launched a circa US$160m IPO expected to price on Thursday, January 18.

Like Liberty, Nine Energy contemplated going public last April, going so far as to confidentially market, a strategy both also used this time around. Another similarity is that both are backed by private equity, so additional supply will follow.

KEANE GROUP, a fracker that went public last January, filed documents on Thursday to facilitate a 6m-share secondary sale on behalf of its principal sponsors, including Cerberus, that would pare their stake to 64.6%.

Liberty's backers, led by Riverstone and Carlyle, did not sell on the IPO but still own 79.4%, and Nine Energy-backer SCF will see its stake diluted to 39% on the all-primary IPO.

BJ SERVICES, FTS INTERNATIONAL and QUINTANA ENERGY SERVICES, all frackers and all sponsor-backed, have aging IPOs on file that point to additional supply.

"It's fair to say that others will look to go public in this window," said a third energy banker. "There are a half-dozen oilfield services companies that could go public early this year."

Stephen Lacey

Hospitals operator leads Turkish pipeline

Trio of deals last Monday show promise of EM

Emerging markets continue to provide a hot lunch for ECM, with Turkey in focus last week. Hospitals operator MLP SAGLIK HIZMETLER launched an up to US$900m Istanbul listing on Monday, ENERJISA ENERJI launched its float the same day and on Monday night, private equity group Turkven was selling down its stake in jeans brand MAVI.

Turkven will also be the main seller in MLP alongside the Usta and Elbasi families and Turkish conglomerate Sancak Group. A relatively small primary tranche of around TL500m (US$133m) is expected to be deployed in paying off foreign currency-denominated debt.

Primary offerings that are quasi-secondary, in as much as they are paying off debt incurred by private equity owners who are also selling stock, can put investors off, but a banker involved in this float said that feedback from pilot-fishing suggested that this was not a major issue and was seen as positive for the capital structure.

Valuation is partly dependent on whether the company, also known as Medical Park, is put alongside a comp group of Asian healthcare firms trading on average at around 20 times 2019 Ebitda, or closer to 10 times for more developed markets. With marketing pushing on growth opportunities, the banker said that a mid-teens approach would put valuation in the ballpark of US$2bn. An expected free-float of up to 45% suggests a deal size of around US$900m. There will be a 15% greenshoe.

The schedule is expected to follow a standard two-plus-two approach, putting the launch of bookbuilding around January 22 and pricing around February 5.

Emerging markets investors and healthcare specialists are anticipated to provide the bulk of demand.

Goldman Sachs, *HSBC* and *JP Morgan* are joint global coordinators and joint bookrunners with *Bank of America Merrill Lynch*, with *Ak Yatirim Menkul Degerler* as domestic coordinator and bookrunner.

Robert Venes

WEEK IN NUMBERS

14

■ THE BENCHMARK HANG SENG INDEX ROSE FOR THE 14TH CONSECUTIVE SESSION ON FRIDAY, ITS BEST RUN EVER. THE INDEX CLOSED AT 31,412.54, A NEW RECORD

Two years

■ A FLURRY OF ACCELERATED SALES BY FOUNDING SHAREHOLDERS IN EUROPEAN COMPANIES WERE ACCOMPANIED BY LOCK-UPS MULTIPLE TIMES LONGER THAN THE NORM. FOLLOWING SALES IN TURKISH JEANS MAKER MAVI AND FRENCH WASTE MANAGEMENT COMPANY DERICHEBOURG, THE MAJOR SHAREHOLDER FAMILIES BOTH AGREED TO ONE-YEAR LOCK-UPS. WHEN BRUNELLO CUCINELLI SOLD SHARES IN HIS EPONYMOUS FASHION BRAND HE COMMITTED NOT TO SELL ANY MORE SHARES FOR TWO YEARS AND MAINTAIN THE MAJORITY OF SHARES FOR THE VERY LONG TERM

Three months

■ SINGAPORE EXCHANGE IS SEEKING FEEDBACK ON WHETHER TO RETAIN QUARTERLY REPORTING BY LISTED COMPANIES DUE TO CONCERNS ABOUT COMPLIANCE COSTS. IF RETAINED THE THRESHOLD FOR QUARTERLY REPORTING WILL STILL DOUBLE FROM THE CURRENT MARKET CAPITALISATION OF S$75m OR HIGHER

Zero

■ AIRASIA'S CEO TONY FERNANDES SAID IN POSTS ON TWITTER THAT ANALYSTS VALUE ITS INDIAN SUBSIDIARY AT ZERO, YET IT IS NOT FAR FROM HAVING 20 AIRCRAFT AND AN IPO. THE COMPANY WILL SEEK APPROVAL TO HIRE BANKS AT THE NEXT BOARD MEETING, FERNANDES WROTE. HOWEVER, THE CARRIER IS NOT YET PROFITABLE SO FALLS WELL SHORT OF THE INDIAN IPO REQUIREMENT THAT CANDIDATES EARN PROFITS IN AT LEAST THREE OF THE PREVIOUS FIVE YEARS

Eight years

■ CELLNEX TELECOM ISSUED A €600m CONVERTIBLE BOND ON MONDAY WITH A RARE EIGHT-YEAR TENOR. THE TWO EIGHT-YEARS ISSUED IN EUROPE IN 2017 BOTH CAME FROM REAL ESTATE ISSUERS

ASIA-PACIFIC

CHINA

FOSUN HIRES FOR TOURISM FLOAT

Fosun International has named *Citic CLSA*, *Citigroup* and *JP Morgan* for a listing of its tourism business this year in Hong Kong, according to people familiar with the process.

The IPO of FOSUN TOURISM & CULTURE GROUP is expected to raise at least US$500m, the people have said.

Fosun T&C's assets include resort operator Club Med, a Chinese joint venture with tour operator Thomas Cook, and the luxury Atlantis Resort Hotel at Sanya in Hainan province.

A spokesperson from Fosun declined to comment, saying the company does not respond to market rumours.

In the first six months of 2017, Fosun's "Happiness Ecosystem", which comprises its tourism and leisure and consumer and lifestyle businesses, posted a profit of Rmb516m (US$78m) on revenue of Rmb6.5bn, up 37% and 12%, respectively, from a year earlier, according to the parent's interim results.

Fosun, which Chinese billionaire Guo Guangchang co-founded, is one of the China's most acquisitive overseas dealmakers.

Last September, it listed Israeli subsidiary Sisram Medical, a maker of medical devices, in Hong Kong through a HK$977m (US$125m) IPO.

TENCENT-BACKED DOUYU PLANS IPO

Tencent-backed game-streaming platform DOUYU aims to raise about US$300m–$400m from an IPO this year, according to people close to the plans.

JP Morgan and *Morgan Stanley* are leads on the IPO.

Founded in 2013, Douyu is one of the leading game-streaming platforms in China. According to iiMedia Research, in the third quarter of 2017, Douyu had the highest percentage of active users versus registered users among game-streaming platforms in China.

The sector has experienced rapid growth in the past few years and attracted investment from technology giants.

In a report published in December, Deloitte named Douyu as the fastest-growing technology company in Asia-Pacific. The company has seen its revenue surge 708 times over the past three years, according to the report.

ZHENRO IPO BRINGS HK$3.99bn

ZHENRO PROPERTIES GROUP has raised HK$3.99bn (US$510m) from its Hong Kong IPO of 1bn primary shares at HK$3.99 each.

The Shanghai-based developer marketed the shares, representing 25% of its enlarged capital, at an indicative price range of HK$3.40–$4.08 each. Final guidance of HK$3.99–$4.08 was sent to investors on Tuesday, the last day of bookbuilding.

The final price represents a 56.9% discount to the company's 2017 estimated net asset value.

One cornerstone investor, Hong Kong Bao Xin Asset Management, has pledged to take up HK$750m of the shares.

The stock will start trading on January 16.

CCB International was the sole sponsor and joint global coordinator with *Guotai Junan International*. The two banks were also joint bookrunners with *Haitong International*.

Proceeds will be used mainly to cover property construction costs and to repay debt.

ZHENGTONG GOES FOR MORE

CHINA ZHENGTONG AUTO SERVICES has raised HK$1.74bn (US$222m) through an upsized placement of shares.

The car dealer sold 226m shares, or 9.07% of its enlarged company capital, at HK$7.70 each. The placement price represents a discount of 12% to the pre-deal spot.

ZhengTong had initially planned to sell 206m new shares, an 8.3% capital increase, within the indicative price range of HK$7.60–$8.00.

There is a 90-day lock-up on the company and major shareholder Joy Capital Holdings.

Proceeds will be used to develop the auto-financing business.

Morgan Stanley was the sole bookrunner.

The fundraising came less than a month after the company completed a share placement of HK$380m on December 15. It sold 50m new shares at HK$7.60 each to six funds or accounts that PICC or PICC Asset Management (Hong Kong) managed.

At the time, the company said it intended to use the proceeds for the development of its fintech platform. First Shanghai Securities was the placing agent.

BCIA BLOCK FETCHES HK$2.36bn

Fortland Ventures sold 208m H-shares in BEIJING CAPITAL INTERNATIONAL AIRPORT to raise HK$2.36bn (US$301.7m).

The offer price was HK$11.35 per share, the lower end of the HK$11.29–$11.60 guidance range and a 7% discount to the pre-deal spot.

The block was increased from a base size of 170m shares.

The book was multiple times covered with allocation skewed towards long-only and anchor investors. There were over 70 accounts in the book, including infrastructure funds, hedge funds and sovereign wealth funds.

Fortland Ventures is part of NWS Holdings, a subsidiary of New World Development.

There is a 90-day lock-up on the vendor. *JP Morgan* was the sole placing agent.

AGILE SPIN-OFF TO PRE-MARKET IPO

A-LIVING SERVICES, the property management business of Chinese property developer Agile Group Holdings, is set to start pre-marketing a Hong Kong IPO of US$300m–$500m on Monday, according to people close to the deal.

A-Living filed a listing application in September. *HSBC* and *Huatai Financial* are joint sponsors for the deal.

According to the filing, the net profit of A-Living was Rmb123m (US$19m) for the first six months of 2017, up 56% from a year earlier.

On completion of the proposed spin-off, Agile is expected to retain a majority holding in A-Living, which will remain as a subsidiary, according to an announcement from Agile last year.

A-Living is principally engaged in property management, property sales, property inspection, advertising and tourism services.

CHONGQING RURAL APPLIES TO LIST

CHONGQING RURAL COMMERCIAL BANK has applied to the China Securities Regulatory Commission for a proposed Shanghai listing of up to 1.36bn A-shares, or about 11.95% of its enlarged capital.

The Hong Kong-listed shares closed at HK$5.99 on Friday, which puts expected proceeds from the new listing at around US$1bn.

CICC is the sponsor and joint bookrunner with *China Securities*. Proceeds will be used to replenish the bank's capital.

HUABAO FLAVOURS & FRAGRANCES has cleared a CSRC hearing for a proposed ChiNext IPO of about Rmb2.49bn (US$385.3m). The deal still needs written CSRC approval.

The spin-off of Hong Kong-listed Huabao International plans to offer up to 61.59m shares, or about 10% of its enlarged capital.

Zheshang Securities is the sponsor.

The China Securities Regulatory Commission has approved the listing application of **KESHUN WATERPROOF TECHNOLOGIES**, which is now pre-marketing a ChiNext IPO of about Rmb1.52bn with *Guoyuan Securities* as sponsor.

The producer of waterproof coatings plans to sell up to 153m shares, or about 25% of its enlarged company capital.

It will start bookbuilding on January 16.

Proceeds will be used to build three production bases.

HONG KONG

C-MER PRICES IPO AT TOP

C-MER EYE CARE raised HK$571m (US$73m) from its Hong Kong IPO, having priced the shares at the top end of the indicative range. This was after it attracted the highest level of oversubscription from retail investors in three years, according to people close to the IPO.

The retail tranche, representing 10% of the offer before clawback, was at least 1,600 times oversubscribed, said the people.

That is the highest in three years, after the retail portion of pork producer Huisheng International's US$32m Hong Kong IPO generated 2,188 times more orders than the shares on offer in 2014.

Having Tencent's chairman Pony Ma as a cornerstone investor is seen as the key reason for the overwhelming demand for C-Mer. Ma has committed to take up HK$62.4m of the IPO shares. Wah Li (Hong Kong) and Gunther Group are the other two cornerstones, who will invest a total of HK$125m.

C-Mer also attracted pre-IPO investments from Hong Kong developer Sun Hung Kai Properties and Allan Zeman, founder of Lan Kwai Fong Group.

The company marketed 197m shares at a price range of HK$2.35–$2.90.

Trading in the stock is due to start on January 15.

China Merchants Securities was sole bookrunner.

MAPLE LEAF PRICES PLACEMENT

International schools operator **CHINA MAPLE LEAF EDUCATIONAL SYSTEMS** has raised HK$1bn (US$128m) from a top-up placement of 110m shares priced at the bottom of a HK$9.10–$9.40 range.

The final price is at a discount of 7.8% to the pre-deal spot.

Sherman Investment was the vendor. There is a 90-day lock-up on the company and the vendor.

Books were well covered, with over 35 investors participating. They were a mix of Asian long-only institutions and hedge funds. The top 10 investors were allocated two-thirds of the book.

UBS was the sole bookrunner.

Proceeds will be used for future overseas acquisitions and general corporate purposes.

NEW SPORTS READIES PLACEMENT

NEW SPORTS GROUP is raising up to HK$815m (US$104m) through a placement of up to 1.63bn new shares, or about 40% of its enlarged capital, at HK$0.50 each.

The placement price represents a discount of 21.9% to the January 10 close of HK$0.64.

The IT company also plans to raise HK$205m from the sale of 409m new shares to Tengyue at the same placement price. Tengyue, wholly under the control of investor Wu Teng, holds 16.67% of the company after subscribing to an earlier share placement at HK$0.55 in early December.

CCB International is the placing agent.

Proceeds will be used mainly to settle the outstanding consideration for the acquisition of Shenzhen Borui Enterprise Management.

INDIA

ICICI UNIT EYES FEBRUARY IPO

ICICI SECURITIES aims to launch an IPO of at least Rs32bn (US$500m) in February, subject to approval from the Securities and

ASIA-PACIFIC EQUITIES
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	China Merchants Secs	1	259.97	21.3
2	UBS	1	127.96	10.5
3	Citic	1	74.56	6.1
4	Morgan Stanley	1	61.44	5.0
5	China Investment Secs	1	52.16	4.3
6	Changjiang Securities	1	49.67	4.1
7	Minsheng Securities	1	45.59	3.7
8	Guotai Junan Securities	1	42.99	3.5
9	Shinhan Financial Group	2	42.64	3.5
10	ICICI	1	38.26	3.1
	Total	**34**	**1,221.33**	

Including all domestic and international deals and rights issues

Source: Thomson Reuters SDC code: C4a1

ASIA-PACIFIC EQUITIES (EX-JAPAN)
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	China Merchants Secs	1	259.97	21.3
2	UBS	1	127.96	10.5
3	Citic	1	74.56	6.1
4	Morgan Stanley	1	61.44	5.0
5	China Investment Secs	1	52.16	4.3
6	Changjiang Securities	1	49.67	4.1
7	Minsheng Securities	1	45.59	3.7
8	Guotai Junan Securities	1	42.99	3.5
9	Shinhan Financial Group	2	42.64	3.5
10	ICICI	1	38.26	3.1
	Total	**34**	**1,221.33**	

Including all domestic and international deals and rights issues

Source: Thomson Reuters SDC code: C4a2

Exchange Board of India, two persons with knowledge of the plan said.

The Indian investment bank has kicked off investor meetings and is seeking a valuation of close to US$5bn, implying a P/E ratio of 40. Local peers trade in a 20-45 range.

Parent ICICI Bank will be selling 64m shares in the IPO.

Bank of America Merrill Lynch, *Citigroup*, *Citic CLSA*, *Edelweiss* and *IIFL Holdings* are bookrunners.

ICICI Securities offers investment banking, institutional broking, retail broking and private wealth management services.

Over the past year, ICICI Bank has been selling stakes in subsidiaries such as ICICI Prudential and ICICI Lombard.

AMBER LIFTS IPO SIZE TO Rs6bn

AMBER ENTERPRISES has increased the size of its planned IPO to Rs6bn (US$94m), setting a price range of Rs855–Rs859 per share, according to a term sheet.

The Indian air conditioner manufacturer's IPO, which will be open for subscription on January 17-19, will comprise primary shares of Rs4.75bn, up from Rs4.5bn in the draft prospectus, and secondary shares of Rs1.25bn, up from Rs1.1bn.

Positive feedback from investors encouraged the company to sell more shares, said a person with knowledge of the float.

Amber posted a net profit of Rs279m on revenue of Rs16.5bn for the financial year to March 31 2017.

The company manufactures air-conditioners for consumer goods companies such as Daikin, Hitachi, LG, Panasonic, Voltas and Godrej.

Jasbir Singh and his family own 56% of Amber and private equity firm Ascent Investment Holding 41.66%.

BNP Paribas, *Edelweiss*, *IDFC* and *SBI Capital* are bookrunners.

AIRASIA PLANS FLOATS OF INDIAN AND PHILIPPINE ARMS

AIRASIA is considering an IPO for its Indian unit, CEO Tony Fernandes has said in a series of posts on Twitter.

"Analysts giving zero value to AirAsia India. Not far from 20 planes and a potential IPO," Fernandes said.

The company will seek approval to hire a bank to start the preliminary IPO process at the next AirAsia India board meeting, Fernandes wrote.

However, the airline needs to turn profitable first. Under current IPO rules, a company needs to earn pre-tax profit in at least three of the last five years.

In the quarter to September 30 2017, AirAsia India posted a net loss of Rs164m (US$2.57m). In November, chief executive Amar Abrol said the company expected revenue of Rs12bn for calendar year 2017, rising to Rs18bn this year, according to Reuters. He declined to say when the airline expected to turn profitable.

Under current aviation rules, airlines operating in India need to have a fleet of at least 20 aircraft to fly on international routes, which are typically more profitable than domestic ones.

AirAsia India is a joint venture with India's Tata Sons.

AirAsia completed a backdoor listing of Indonesia AirAsia last year and plans to launch an IPO of the Philippine unit later this year. It also plans to list its holding company ASEAN Holding in Hong Kong.

NEWGEN TARGETS IPO OF Rs4.3bn

NEWGEN SOFTWARE is targeting IPO proceeds of Rs4.3bn (US$68m), having set a price range of Rs240-Rs245 per share.

The midpoint of the price range represents a 2017 P/E multiple of 23.27, versus 25.99 for the benchmark Nifty 50 index as of January 5.

The IPO, India's first of the year, will open for subscription on January 16-18 and will involve primary shares to raise Rs9.5bn, as well as 13.5m secondary shares.

Unit Trust of India Investment Advisory Services, IDG Ventures India Fund, Vistra ITCL and SAP V (Mauritius) are the vendors.

The enterprise software developer had revenue of Rs4.33bn in the financial year to March 31 2017, up from Rs3.50bn in FY2016. Net profit rose to Rs524m from Rs278m in the same period.

ICICI Securities, *IDFC Bank* and *Jefferies* are bookrunners.

BANDHAN TO PRE-MARKET FLOAT

BANDHAN BANK intends to start pre-marketing its IPO of up to Rs45bn (US$700m) this week, according to two people with knowledge of the plans.

The Indian bank, targeting a March launch for the float, will sell 97.7m primary shares as small shareholders sell 21.6m.

In the secondary tranche, International Finance Corp will sell 14m shares and IFC FIG Investment will sell 7.6m. IFC currently owns a 3.2% stake, or 35m shares, in the bank, while IFC FIG controls a 1.7% stake, or 18.9m shares.

Bandhan Financial Holdings is the largest shareholder of the bank with a 89.6% stake. Other shareholders include Caladium Investment, a subsidiary of GIC, Small Industries Development Bank of India and Chandra Shekhar Ghosh.

The bank posted a net profit of Rs11bn for the financial year to March 31 2017, compared with Rs2.8bn a year earlier.

Axis, *Goldman Sachs*, *JM Financial*, *JP Morgan* and *Kotak* are bookrunners.

SOUTH KOREA

HYUNDAI UNIT HIRES IPO LEADS

HYUNDAI OILBANK, the refining arm of South Korea's Hyundai Heavy Industries Group, has named six banks to arrange an IPO of at least US$1bn in 2018, according to people familiar with the move.

The lead banks are *Hana Daetoo Securities* and *NH Investment & Securities*, the people said. Joint lead managers are *Bank of America Merrill Lynch*, *Citigroup*, *Shinhan* and *MiraeAsset Daewoo Securities*.

The size of the fundraising may reach as much as US$2bn, depending on valuation, one of the people said. Hyundai Oilbank and parent Hyundai Robotics declined to comment.

Hyundai Heavy Industries, the flagship company of South Korea's ninth-largest conglomerate, said in December that Hyundai Robotics, the group's holding company, had decided to list refining subsidiary Hyundai Oilbank in the second half of 2018, according to a Reuters report.

The shipbuilder also said at the time it would issue rights shares worth about W1.3trn (US$1.21bn). The two moves are part of the conglomerate's efforts to improve the finances of its group companies after switching to a holding company structure last year.

Hyundai Oilbank is a 91.1% owned unit of Hyundai Robotics.

THAILAND

OSOTSPA PLANS SET IPO

OSOTSPA, a maker of beverage and personal-care products, aims to launch an IPO of US$200m–$250m in the first half on the Stock Exchange of Thailand, according to a person with knowledge of the plan.

Osotspa sells beverages under brands such as Shark Stimulation, Hang, and M-150, and personal-care product brands including 12 Plus, Babi Mild and Exit.

Bank of America Merrill Lynch, *Bualuang Securities*, *JP Morgan* and *Phatra Securities* are leads on the float.

EUROPE/MIDDLE EAST/AFRICA

FRANCE

DERICHEBOURG BINNED FOLLOWING FAMILY SALE

The founding family of recycling group DERICHEBOURG sold 10% of the company on Tuesday as it sought to diversify its holdings while taking advantage of the share's astounding 110% appreciation over the past year.

Societe Generale and *Gilbert Dupont* came to the market immediately after the close with 16.388m shares held by holding company CFER and price guidance of €8-€8.25.

There was no formal message regarding wall-crossing, but given that the sale represents around 75 days' trading volume, it's likely that some key shareholders and potential investors were sounded out ahead of launch.

The transaction was covered within 45 minutes, with investors told at 6:20pm London time that pricing would be at the bottom of the range.

Pricing was confirmed at €8 per share, which represents a 9.8% discount to the €8.865 closing price, when the book closed at 6:45pm. The trade is valued at €131.1m.

The top 10 allocations accounted for 58% of the shares placed.

The sale triggered a slump in the stock on Wednesday to a closing price of €7.95, rising to €8.04 on Thursday and €8.16 on Friday.

The selling shareholder retains a 40.12% stake with 56.68% of the voting rights, which is subject to a one-year lock-up agreement.

EMEA EQUITIES
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Credit Suisse	3	1,206.01	31.2
2	Goldman Sachs	3	1,188.22	30.7
3	BNP Paribas	2	236.18	6.1
4	Morgan Stanley	1	186.71	4.8
5	SG	1	156.60	4.1
6	Stifel/KBW	1	135.36	3.5
7	Mediobanca	1	126.61	3.3
8	Citigroup	2	116.45	3.0
9	Numis	1	106.28	2.7
10	BAML	1	65.96	1.7
	Total	**15**	**3,864.84**	

Including all domestic and international deals and rights issues

Source: Thomson Reuters SDC code: C4cr

Bayer rotates banks again on Covestro sale

GERMANY Accelerated bookbuild is upsized on strong demand

Bayer maintained its commitment to maintaining relationships with a wide group of lenders by again rotating banks when selling shares in plastics maker COVESTRO.

Wednesday's upsized sale of 10.37% of Covestro was led by *Credit Suisse* and *Goldman Sachs*, their first involvement on what is the sixth sale by Bayer.

In sharp contrast to the lack of enthusiasm displayed by investors during the bookbuilding phase of the public offering back in October 2015, demand was so strong that the selling shareholder was able to increase the number of shares on offer to raise €1.8bn, having set out with a target of around €1.5bn.

The upsizing was possible even though the share price is almost 38% higher than where Bayer sold shares in September to raise €1.2bn, and the shares have more than tripled in value since they were placed at €24 per share for the IPO.

Bookrunners Credit Suisse and Goldman Sachs came to the market a few minutes after the German close and generated cover for the initial target of €1.5bn within 20 minutes, on the basis of price guidance of €86.25 to market.

At 6:15pm London time, investors were told that pricing would probably be at the low end of the range, with the number of shares increased to a maximum of 21m. The shares are expected to join the Dax this year, depending on meeting liquidity thresholds.

Pricing at €86.25, for 21m shares, was confirmed when the book closed at 6:45pm.

The discount to the €88.46 closing price was 2.5%. There were 150 lines in the book, with the top 20 allocations accounting for around 75% of the transaction.

Apart from the direct interest of 14.2% that Bayer holds in Covestro, Bayer Pension Trust holds a further 8.9%. The directly held shares are subject to a 90-day lock-up agreement.

While the direct interest could be sold in one go, bankers expect another placing to unwind a derivative position. Two weeks following the ABB in September, Bayer said it had ceded control of Covestro with a €1bn sale of shares taking its stake below 25%. Bankers said this was through a derivative - Bayer was subject to a lock-up at the time - and an unwinding of that is expected. Bayer declined to disclose further details on that transaction.

The 2015 IPO was significantly scaled back because of market concerns about China's economy and the Volkswagen emissions scandal. The pricing range was cut from €26.50-€35.50 per share to €21.50-€24.50 to raise €1.5bn in proceeds instead of €2.5bn. Bayer contributed an extra €1bn to the business to make up the shortfall.

Graham Fahy

ITALY

CUCINELLI REDUCES STAKE

BRUNELLO CUCINELLI sold 6% of his luxury cashmere clothing business on Tuesday to raise cash so that his family foundation can push ahead with his dream to "beautify humanity". Cucinelli is involved with several cultural projects in his native Umbria, including the restoration of the village of Solomeo, where the company's headquarters is located, and the surrounding lands.

Cucinelli sold 4.08m shares held by his holding company Fedone at €26 per share, which represents a 10% discount to the closing price of €28.90, to raise €106.08m. Shares closed on Wednesday at €27.

Fedone retains 34.68m shares or 51% of the share capital, which is subject to an unusually lengthy two-year lock-up agreement.

In statement to accompany the sale, Cucinelli said: "We strongly reaffirm my will and that of my family to remain shareholders of the company in the very long term, maintaining the absolute majority of the shares".

Mediobanca was sole bookrunner.

TIGHT DISCOUNT FOR MEDIOBANCA

Pirelli sold 1.78% of MEDIOBANCA on Wednesday evening in an accelerated sale managed by *BNP Paribas*.

As recently as September Pirelli was saying it was in no rush to sell the shares, though they were considered non-strategic. A shareholder pact expired at the end of 2017.

The selling shareholder came to the market at 5:15pm with its entire 15.7m-share stake and guidance set at €9.70 to market.

The transaction was covered within 10 minutes, and at 6:20pm London time,

Saudi bourse adjusts to attract foreign funds, ease Aramco IPO

SAUDI ARABIA Rule changes may make it easier for market to absorb flotation

Saudi Arabia's stock exchange is adjusting its rules to make it easier for foreign investors to trade - steps that may help the bourse absorb a huge IPO by oil giant SAUDI ARAMCO this year, the exchange's chief executive said on Wednesday.

"These changes are required by the growth of the market and what international institutions tell us," Khalid al-Hussan said in a telephone interview from Riyadh.

Trading limits will be made more flexible for the exchange's independent custody system, Hussan said. The system allows foreign investors to use a global custodian bank rather than a local broker to hold their assets.

Meanwhile, foreign asset managers will be allowed to aggregate the orders of their portfolios and funds, helping them obtain better prices. Both changes are to take place by January 21.

Saudi Arabia opened its market to direct investment by foreign institutions in mid-2015 and is keen to boost capital inflows, partly to facilitate the initial public offer of shares in Aramco and other privatisation plans.

Riyadh is aiming to sell about 5% of Aramco in the second half of 2018, potentially raising US$100bn if it achieves the US$2trn valuation for the company that it has projected. Many private analysts think that target is too optimistic, but that the IPO will still be the world's largest.

Authorities have said they will list Aramco's shares in Riyadh and also aim for a listing in at least one foreign market; options include New York, London and Hong Kong, but officials say a choice has not been made.

With a capitalisation of about US$450bn, Riyadh's market could struggle to absorb Aramco shares, plus tens of billions of dollars in other privatisations envisioned in coming years, without the participation of foreign funds.

Hussan said in October that his exchange hoped to be the only venue for listing Aramco and could handle all of the IPO. He repeated this on Wednesday, but stressed he had received no word of any decision by authorities on foreign listing venues.

"As an exchange, it is natural for us to aspire to be the only place for listing and we are taking all necessary measures to be ready for that, if that is the decision. We are waiting for the decision."

This month's reforms may encourage global equity index providers to upgrade Saudi Arabia, which would attract more foreign money. MSCI will announce this June whether it will add Saudi Arabia to its emerging markets index, while FTSE has said it will probably decide in March to do so.

Other planned reforms, which the exchange intends to introduce by mid-2018, include using an auction method to determine closing stock prices instead of the current volume-weighted average price method, Hussan said.

A system for market makers - firms that improve liquidity by holding inventories of stocks, ensuring they can offer buying and selling prices continuously - will be introduced by mid-year, he said.

The development of market makers would pave the way for the exchange to introduce equity derivatives, which could help to attract foreign investors by giving them ways to hedge.

Hussan said stock futures and options were expected to be introduced in 2020, after reforms to the clearing system.

At the end of 2017, 118 foreign institutions had registered to invest on the Saudi stock market.

All types of foreign investor, including those owning stocks indirectly through swaps, now hold about 4.2% of the market.

The exchange has been working with the Saudi securities regulator in its drive to attract foreign funds. On Tuesday, the Capital Market Authority said it was easing requirements for foreign institutions to qualify as investors.

Saudi authorities are also keen to develop the exchange as a place for trading debt, in order to deepen the country's capital markets.

Trading of government bonds on the exchange is expected to begin this year, Hussan said.

Andrew Torchia

investors were guided to the bottom of the range.

Pricing at that level, which represents a 1% discount to the €9.80 closing price, was confirmed when the book closed at 6:45pm. The transaction is valued at €152.3m.

The top five allocations accounted for around half the transaction.

RUSSIA

FORMER MEGAFON CHIEF BRINGS RUSSIA SPAC

Former MegaFon CEO Ivan Tavrin is targeting US$200m from a special purpose acquisition company for a Russian acquisition, adding emerging market diversity to the recent stream of SPAC issuance.

KISMET ACQUISITION has two years to find a target company focused on but not limited to the telecoms, technology, internet or consumer services space operating in or with significant exposure to Russia. There is an option to extend the search for a further year subject to a shareholder vote.

Priced at US$10 per share, with one warrant attached per share, approximately US$20m–$25m will come from Tavrin through founder preferred shares and ordinary shares, both of which come with warrants. Tavrin was also formerly CEO of Media-One Holdings and UTV-Media.

Potential investors have already been sounded out and the float is being launched with indications of interest for around two-thirds of the target haul. Roadshows began in New York last Tuesday and will move on to London, Frankfurt, Moscow, the UAE and Toronto, wrapping up after around three weeks, suggesting a close of books at the end of January.

Morgan Stanley is lead left and joint global coordinator with *Sberbank*.

SAUDI ARABIA

BANKS INVITED TO ARAMCO BEAUTY PARADE

Mandates are getting closer for the potential IPO of state oil company SAUDI ARAMCO this year, with a view to joining *HSBC*, *JP Morgan* and *Morgan Stanley* on the top-line global coordinator level.

Citigroup, Deutsche Bank, Goldman Sachs and UBS are believed to have been invited to a beauty parade to take place at the company's headquarters between the end of the month and mid-February.

There is some speculation that Citi and Goldman may be competing for one more top-level position for a US bank, in addition to JP Morgan and Morgan Stanley, which could mean Deutsche and UBS vying for a European bank slot.

That would seem to make sense on a global coordinator line-up of three US banks, a bank with strong Middle East and sovereign wealth ties and at least one European bank. That said, nothing can really be predicted about a deal with no precedent.

SPAIN

HOMEBUILDER TARGETING US$1bn-PLUS FLOAT

Homebuilder METROVACESA has begun pre-marketing an all-secondary Madrid listing. Santander is majority owner with a 68.3% stake, followed by BBVA with 29.7% and minority shareholders with an aggregate 2%, after the company fell into the hands of its banks in 2009. It also restructured its debt in 2014.

A banker involved said that those seen in pilot-fishing expect Metrovacesa to trade at a premium to NAV and will be using last year's homebuilder IPOs of Neinor Homes and Aedas as peers, with some seeing Metrovacesa's management as more experienced.

Expectations are for a US$1bn-plus deal size.

The banker added that while there is expected to be a strong real estate specialist following, there will be a much wider audience, as was the case with Neinor and Aedas, as people look to the transaction as a macro play.

Metrovacesa has more than €2.6bn of assets with a gross development value of €11.7bn, and a portfolio of more than 6m square metres of building land, representing potential for 40,000 homes throughout Spain. As of September 30, the company owned a residential land bank with a gross asset value of €1.9bn, of which €1.3bn was fully permitted.

In addition to residential development, the land bank also comprises 34 commercial land plots, with expectations that 96% of the commercial land bank portfolio will be fully permitted within 12 to 18 months of listing.

Books are expected to open around January 22, with pricing to come around February 2.

Deutsche Bank, *Morgan Stanley* and *Santander* are joint global coordinators and joint bookrunners with *Goldman Sachs* and *Societe Generale*. *CaixaBank*, *Fidentiis* and *Norbolsa* are co-leads.

LONE STAR OUT OF NEINOR

Lone Star has sold out of NEINOR HOMES less than a year after the homebuilder was listed in Madrid. The private equity group sold 12.5% of the company on Wednesday in an accelerated transaction managed by *Citigroup*, *Credit Suisse*, *BNP Paribas* and *JP Morgan*, retaining just 350,918 shares (0.4%) against obligations related to a management incentive plan.

The syndicate came to the market at around 5pm with 9.86m shares and price guidance set at €17.55 to market. The transaction was covered within 30 minutes, and at 6:45pm, investors were told that orders limited below €17.65 would probably miss out.

Pricing at that level, which represents a discount of 2.72% to the closing price of €18.04, was confirmed when the book closed at 7:15pm. The deal is valued at €173.99m.

The top five allocations accounted for 60% of the transaction.

Last March, Neinor placed 6.075m new shares alongside a sale of 37.018m existing shares by Lone Star at a fixed price of €16.46 per share, which valued the company's share capital at €1.3bn. Taking greenshoe shares into account, the deal size increased to approximately €775.4m from €709.32m.

TURKEY

ENERJISA ENERJI TARGETING US$2bn-PLUS VALUATION

Pre-marketing began last Monday for an Istanbul listing of electricity distribution business ENERJISA ENERJI, with expectations of a valuation potentially in excess of US$2bn.

The float is all secondary, with selling from owners E.ON and Sabanci expected to result in a free-float of up to 20% including the greenshoe, suggesting a deal size in the region of US$400m. The free-float on the base deal is around 18%.

A two-plus-two schedule puts the launch of bookbuilding around January 22 and pricing around February 2.

Citigroup has the novel title of senior global coordinator with *HSBC* as global coordinator and *Bank of America Merrill Lynch* and *Deutsche Bank* as joint bookrunners. *AK Investment* is domestic lead manager.

TURKVEN SLIPS OUT OF JEANS

Turkven exited its stake in MAVI on Monday night in a TL496.7m (US$132m) selldown alongside the Arkalilar family.

The 9.5m shares were offered without guidance at launch, although pre-sounding had generated interest for about 80% of the shares offered. The book was covered within an hour and pricing came at TL52.25, an 8.9% discount to the TL57.40 close.

The sale represented a large 19.1% of the company, hence the discount, and approximately 67 days' trading.

Following the sale, the Arkalilar family retains a 27.4% stake, subject to a 365-day lock-up.

Mavi shares closed on Tuesday at TL53.50.

Goldman Sachs and *Bank of America Merrill Lynch* were joint bookrunners, with *Is Yatirim* as domestic selling agent.

UK

PERMIRA RETIRES PART OF JUST GROUP STAKE

Permira cut its position in JUST GROUP, formerly Just Retirement Partnership and then JRP Group, for the second time since the business listed in April 2016.

The private equity house sold 50m shares, representing 5.3% of share capital and approximately 30 days' trading.

Monday night's sale was priced at 157p, the bottom of the guidance given at launch ranging from 157p to the market close of 167.7p. The discount was 6.38%.

The first selldown came last April when Permira sold 57m shares alongside Cinven, which sold 38m shares, with pricing coming at 220p.

Permira is left with 166m shares, or 17.7% of share capital, subject to a 60-day lock-up. Permira bought Just Group in 2009 in a €298m transaction.

Just Group shares opened at 159p on Tuesday and fell during the day to close at 155.2p.

Numis was sole bookrunner.

GCP BEATS FUNDRAISING TARGET

GCP INFRASTRUCTURE INVESTMENTS plundered its ongoing 2017 placing programme once again to take advantage of what the company says is a number of attractive investment opportunities in the short term.

Following an oversubscribed £70m placing last July – increased from £50m at launch – GCP, which focuses on investments in UK infrastructure debt, returned on Monday with plans for a £60m fundraising.

Following last year's placing, there were up to 158.55m new shares available, with pricing for the current equity raise at 122p, a 5% discount to the closing of 127p on January 5.

On Friday, the company said the latest placing was significantly oversubscribed and the board had decided to increase the size of the fundraising to £100m.

The company will issue 81.967m new shares.

Investors will be entitled to receive the quarterly dividend for the period from October 1 to December 31, expected to be declared on or around January 18. Pricing last July came at 124p.

Stifel managed the placing.

JC FLOWERS CUTS ONESAVINGS BANK STAKE

JC Flowers holds around 10% of ONESAVINGS BANK after an accelerated sale and share distribution to some of its own investors on Tuesday evening.

The offering comprised 24.3m shares from JC Flowers, representing 10% of existing share capital, and was accompanied by a distribution of an additional 2.187m shares to certain investors in JCF funds.

Books opened immediately after the close with guidance of 385p–395p versus a 415p close.

A wall-crossing exercise earlier in the day generated interest that covered around 80% of the shares on offer and the deal was covered after around 25 minutes.

At 6:30pm, investors were guided towards pricing at 390p, which was confirmed when the book closed at 7pm.

The pricing represents a discount of 6.02% to the closing price, and values the deal at £94.77m.

JC Flowers is subject to a 90-day lock-up

Citigroup and *Credit Suisse* were joint bookrunners. *Rothschild* was financial adviser to JC Flowers.

CD&R EXITS B&M AFTER GOOD RESULTS

Goldman Sachs sold 49.1m shares in B&M EUROPEAN VALUE RETAIL on behalf of CD&R in an accelerated bookbuild launched at 2:18pm on Friday afternoon. The shares represent 4.91% of the outstanding share capital and are the entire remaining stake of the selling shareholder.

B&M released Q3 numbers before the market opened that comprehensively beat like-for-like consensus expectations, making the UK retailer a big Christmas winner against a rather miserable retailing backdrop.

The chain recorded like-for-like sales growth of 3.9% against an average analyst forecast of 2.3%. The numbers imply that the two-year growth rate has increased for both basket size and customer numbers. The news was also good for recent acquisition Northern grocer Heron Food group, which continues to impress, and German discount retailer Jawoll, which moved back into positive like-for-like territory.

There was a covered message within 15 minutes, and at 3:18pm, price guidance was set at 405p–407p. A few minutes before the market closed, the transaction was priced at the bottom of the range to value the deal at £199.84m. The pricing represents a premium of 2.55% to Thursday's closing price, but is broadly in line with where the shares were trading when the deal was launched. The shares closed at 417p, up 5.06% on the day.

AMERICAS

CANADA

LAURENTIAN BANK FIRMS UP FUNDING

In the second year of a seven-year transformation, Canadian regional bank LAURENTIAN BANK OF CANADA strengthened its balance sheet with a C$125m (US$100m) equity raising overnight on Monday.

The finance boosts the bank's Tier 1 equity ratio to 8.5% from 7.9% at October 31.

TD Securities, *BMO Capital Markets* and *CIBC Capital Markets* re-offered their purchase of 2.28m shares at C$54.80, a 3.6% discount to C$56.83 at last sale on Monday for a 5.8% increase in outstanding shares.

Shares of Laurentian, which paid a 4% fee on the underwriting, finished TSX trading on Tuesday at C$55.06.

The bank has conducted a number of equity raisings since launching its long-term transformation plans in early 2016, including a C$215m block sale in May struck at C$51.70 a share.

As part of the transformation, the bank is looking to increase return on equity to 17% and assets under management to C$70bn by the end of 2022, compared with 12.3% and C$60.9bn in the period ended October 31.

UNITED STATES

IPO MARKET TO HEAT UP

Earnings blackouts and conferences kept follow-on activity light early in the new year, but IPOs will be in focus in the coming weeks as deal flow heats up.

Heading into Monday's public holiday, equity issuance was generally light, but two IPOs of note priced in the past week.

LIBERTY OILFIELD SERVICES secured strong oversubscription before debuting up 25%, while REIT INDUSTRIAL LOGISTICS PROPERTIES TRUST was weak, falling slightly on debut after pricing well below range.

This week brings at least three IPOs of note: ADT, NINE ENERGY SERVICES and ENTERA BIO. ADT is by far the largest, seeking US$2.1bn in what could end up one of the biggest IPOs of 2018.

Friday saw Gates Industrial (US$808.5m) and Menlo Therapeutics (US$90.7m) launch IPOs and bankers are expecting a good number to follow suit after Monday's holidays.

Other IPOs that could be close to launching include biotechs ARMO Biosciences, Solid Biosciences and Restorbio, gaming company PlayAGS, and Argentina's Corporacion America Airports.

January's now robust slate of IPOs is an auspicious sign for 2018 volumes.

In other IPO news, file-sharing software company DROPBOX has also confidentially filed for an IPO that could come in March, according to Reuters and other reports.

Earnings blackouts are limiting block trade activity, but M&A financings may feature prominently in the near-term ECM deal mix.

Healthcare company CENTENE is expected to launch a follow-on stock sale in the coming weeks, while insurer ASSURANT and investment software company SS&C TECHOLOGIES have both flagged circa-US$500m stock sales to fund recent acquisitions.

Companies can raise money off third-quarter earnings through to February 11, but most will wait until their fourth-quarter numbers are ready before hitting the market.

RMR REIT STRUGGLES ON DEBUT

INDUSTRIAL LOGISTICS PROPERTIES TRUST, an owner of distribution centres and other industrial properties backed by RMR Group, struggled to find takers for its IPO, pricing the deal well south of the marketing range and staging a forgettable debut.

ILPT priced 20m shares late Thursday at US$24 each, well below the US$28-$31 range. Debuting on Nasdaq on Friday, the REIT traded in disappointing fashion, opening at US$23.70 or down 1.3%.

UBS, *Citigroup*, *RBC Capital Markets*, *Bank of America Merrill Lynch*, *Morgan Stanley* and *Wells Fargo* led the deal.

A large portion of the shares likely went to retail investors, as is the norm for REIT IPOs.

The sub-par pricing outcome came despite efforts to highlight the underlying properties' exposure to e-commerce and the success of major tenant Amazon.

ILPT still raised a healthy US$480m, which is mostly earmarked for debt

US EQUITIES

BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Morgan Stanley	4	1,121.20	17.0
2	Barclays	3	1,085.22	16.5
3	RBC	2	994.60	15.1
4	Citigroup	6	931.47	14.1
5	Goldman Sachs	4	651.00	9.9
6	JP Morgan	4	491.41	7.5
7	BAML	2	391.55	5.9
8	Wells Fargo	2	243.08	3.7
9	Credit Suisse	1	207.10	3.1
10	UBS	1	160.00	2.4
	Total	**14**	**6,593.04**	

Including all domestic and international deals and rights issues

Source: Thomson Reuters SDC code: C3r

Americold opens door to public markets

■ US Cold-storage REIT rejected M&A

AMERICOLD REALTY TRUST, the cold-storage REIT, emerged from the deep freeze, launching an up to US$384m all-primary IPO after rejecting M&A offers.

The company is targeting a higher valuation on the IPO than it offered on the M&A.

Bank of America Merrill Lynch, *JP Morgan* and *RBC Capital Markets* are marketing 24m shares at US$14-$16 apiece for pricing on January 18. The top end of that marketing range targets a market capitalisation of US$2.1bn and enterprise value of US$3.7bn.

Blackstone reportedly offered US$3bn including debt for the business in September, according to media reports at the time.

Americold was simultaneously exploring an IPO.

Yucaipa Companies, the investment vehicle run by billionaire Ron Burkle, would see its stake diluted to 56.5%, and investment affiliates of Goldman Sachs to 22%. They are subject to a 180-day lock-up on additional future sales.

Americold attempted to go public in May 2010, shortly after it agreed to acquire rival Versacold to roll up cold storage as a REIT sub-class. The offering was to have been used to fund the exercise warrants for the remaining 49% stake of Versacold it did not own.

Americold withdrew the 2010 attempt, citing market conditions - the European financial crisis flared up during the marketing.

A lot has changed since 2010.

Americold funded the Versacold acquisition in late 2010 with US$600m of CMBS and US$375m invested by Goldman Sachs and other institutions.

On the current IPO, Americold is selling just 18% of itself this time around, versus the 45% it had sought to float in 2010.

Americold operates a network of 160 refrigerated warehouses in the US, Australia, New Zealand, Argentina and Canada. It generated adjusted Ebitda of US$290m on revenue of US$1.54bn over the trailing 12 months ended September 30.

Americold is targeting an initial annual dividend of 75 cents a share, implying a yield of 4.7%-5% at the IPO marketing range.

Robert Sherwood

reduction. That amount was well down from the US$620m target at the top-end of the ambitious range.

With its promised US$1.32 a share annual payout, the REIT was priced with a 5.5% yield.

Major shareholder **SELECT INCOME REIT**, out of which ILPT was spawned, yields 8.7% at current prices, the difference highlighting the value Select Income was able to create from this corporate finance exercise.

REIT IPOs have struggled of late, the most recent example being another RMR-managed product, **TREMONT MORTGAGE TRUST**. Its shares are down 25% since their September debut.

NINE ENERGY SEEKS NEW LIFE ON IPO

NINE ENERGY SERVICES, the SCF-backed well completion services provider, became the latest oilfield services company to court investors, launching a circa US$160m IPO that will price this coming Thursday.

Nine Energy, like others in the oil patch, is navigating a circuitous route to the public markets.

Formed through the combination of three SCF portfolio companies in 2013, the company contemplated going public last April, only to defer after pre-marketing. Liberty Oilfield Services pulled its IPO at that time.

Those discussions picked up again late last year, with the leads opting to wait to allow for seasoning of fourth-quarter results, according to bankers involved in the process.

"There has been a lot of good feedback about management and the business," one banker said of recent testing the waters meetings. "SCF is a sponsor that has a tremendous track record in energy."

JP Morgan, *Goldman Sachs* and *Wells Fargo* moved from pre-marketing to the public launch on Tuesday of 7m shares at US$20–$23 apiece for pricing after the market close on January 18.

While the roadshow will span the Martin Luther King Jr. holiday on Monday, management is meeting accounts in Toronto on the US holiday.

The company expects to report fourth-quarter adjusted Ebitda of US$15.3m–$16.2m on revenue of US$150m–$152m, a marked improvement from the US$5.2m and US$80m it reported in the comparable year-ago period.

Top-end pricing targets a market capitalization of roughly US$535m.

Nine Energy, which provides a variety of services to enhance oil & gas production, plans to use the IPO proceeds to repay credit facility borrowings, leaving it with total liquidity of US$102.7m.

The company plans to use that liquidity to continue opportunistic acquisitions. Last February, the company acquired Beckman Production Services, a portfolio company of SCF, which it funded with subscription rights offering and assumed borrowings.

FORTRESS TRANSPORTATION RETURNS TO ECM

FORTRESS TRANSPORTATION AND INFRASTRUCTURE INVESTORS, a vehicle that invests in aircraft leasing and other infrastructure assets, made a long-awaited return to ECM via a US$130.6m overnight stock sale.

Structured as a block trade, block buyers *Morgan Stanley*, *Citigroup* and *Barclays* reoffered 7m primary shares at US$18.65, the bottom of the US$18.65-$18.95 marketing range and a 5.5% discount to last sale.

The discount may have reflected some opportunism around the timing, coinciding with the stock's record high of US$20.13 in the session before the offering launched.

"It's that type of name that offers a high yield that's attractive to both retail and institutional investors," one banker close to the deal said.

It has been a long road back for the owner of about US$1.9bn of equipment (mostly aviation) leasing and railroad and energy infrastructure assets.

A May 2015 IPO out of the **FORTRESS INVESTMENT GROUP** stable, the vehicle has spent most of its time as a public entity in the hole.

The stock hit a low of US$8.65 in early 2016, nearly half its US$17.00 IPO price.

Yet a steady rebound since those dark days and to levels since August consistently above the IPO price opened an opportunity for Fortress Transportation to again tap investors for cash.

Even through the tough times, Fortress Transportation has consistently paid a 33-cent quarterly dividend, giving the stock a handsome yield of 7.1% even at the offering price.

The vehicle plans to use the fresh capital for general corporate purposes, including new investments, but the risk is that the raising saps the momentum from what is also an interest-rate-sensitive stock.

The aftermarket reaction indicated as much, with the stock tumbling 5.8% to US$18.60 in the session after the offering priced.

In a note on Thursday, Credit Suisse said that most aircraft lease rates/values had likely peaked.

One of the attractions of the stock at its lows was its significant cash backing but Fortress Transportation has invested most of it since then, running down its cash and cash equivalents to US$176.4m at September 30 from US$381.7m at the end of 2015 and taking on more debt as it has stepped up acquisitions.

TAYLOR-MADE EXIT FOR SPONSORS

Oaktree Capital and TPG Capital completely monetised their holdings in home builder TAYLOR MORRISON with a US$528m clean-up block trade that capped a hectic series of sell-downs in the past year.

The deal came just a week after another block trade that saw the sponsors dispose of nearly US$290m of shares in Taylor Morrison.

The latest, done on Thursday night, was the sixth block trade and seventh Taylor Morrison ECM deal overall in less than a year. This rapid-fire sell-down has netted the sponsors proceeds of more than US$2bn.

The sale of 19.2m shares – mostly synthetic secondary but with some direct selling – came after another unusual spike in the shares just ahead of the launch.

The shares rose 3.5% to US$28.41, comfortably above the US$26.05 level at which the same banks bought the previous block.

The same banks, *Citigroup* and *Goldman Sachs*, marketed their purchase at US$27.40–$28.00 before pricing the deal at US$27.50, a 3.2% discount to last sale for about 17% of the outstanding.

There was an accompanying share repurchase of the remaining 3.75m shares held by the sponsors, though this doesn't subtract from Taylor Morrison's existing US$100m share repurchase authorisation.

US home builders are up on average 40% since September and 5% so far in 2018, in part because investors are getting behind domestic-focused companies and sectors that are clear beneficiaries of the corporate tax reforms.

Earlier this week, BTIG upgraded earnings for all of the home builders it covers by an average of 20%. Low unemployment, economic growth, wage growth and low inventory levels are all pluses for the industry going into this year.

Taylor Morrison released its preliminary 2017 financials alongside the latest offering, reporting a 9.6% increase in full-year revenues to US$3.89bn and an 8.6% increase in gross margin to US$738.9m.

EVOLUS SEEKS EQUITY INJECTION

Move over ALLERGAN, say hello to EVOLUS.

Evolus, the facial aesthetics unit of privately held ALPHAEON, smoothed its way to public markets by filing preliminary documents for a US$75m IPO.

The offering would fund continued development of a biosimilar version of Botox.

Cantor Fitzgerald and *Mizuho* are slated to lead the offering.

Evolus licensed the biosimilar, DWP-450, from South Korea's Daewoong Pharmaceuticals, so economics on any commercial sales would be diluted.

Nevertheless, a decision on regulatory approval is expected shortly.

The FDA has until May 15 to rule on the new drug application that the company submitted for DWP-450.

Evolus is also seeking regulatory approval in Canada and the EU, with a ruling by EU regulators expected later this year.

If DWP-450 is approved by US and EU regulators, Evolus would owe Daewoong US$13.8m. Daewoong would also collect mid-teens royalties on US sales and low-teens on sales outside the US.

Evolus was vague on how it would use additional funding from the IPO. If DWP-450 is approved it would hire 65 sales representatives to support the commercial launch and grow the sales force to 150 over time.

Evolus is not the only threat to Allergan's Botox franchise. REVANCE THERAPEUTICS reported positive Phase III results on its RT002 anti-wrinkle drug last month. Revance seized on those results to raise US$145.3m in an overnight block sale of stock.

VICTORY IPO IS NEAR

VICTORY CAPITAL, a multi-boutique investment manager with US$59bn in assets under management, filed Thursday for a US$100m Nasdaq IPO that would allow the company to repay debt and set the stage for sponsor Crestview Partners to begin monetising its four-and-a-half-year investment.

JP Morgan, *Bank of America Merrill Lynch*, *Morgan Stanley*, *Barclays*, *Goldman Sachs* and *RBC Capital Markets* are listed as joint books.

Gates unlocks US$808.5m IPO

■ US Engineered belt/hose maker brings down debt with stock sale

Blackstone-backed power transmission and fluid power products maker GATES INDUSTRIAL became the latest sponsor-backed company to bring an early 2018 IPO, setting terms early on Friday for a deal that could raise as much as US$808.5m.

Gates plans to sell 38.5m shares at US$18-$21 each, marking a quick turnaround for Blackstone after it bought Gates for US$5.4bn in July 2014.

Citigroup, *Morgan Stanley* and *UBS* lead a 17-strong underwriting syndicate that plans to price the deal on January 24.

Gates joins another large sponsor-backed IPO that is already on the road, Apollo-backed home security provider ADT.

ADT is seeking to raise US$2.1bn in a NYSE IPO pricing this coming Thursday, January 18.

The IPO terms give Gates a market cap of up to US$6bn and an enterprise value of nearly US$9bn versus expected adjusted Ebitda of US$658m-$671m in 2017, up 13% from the prior year.

With the proceeds used mostly to reduce debt, net debt/Ebitda post-IPO will fall to about 4.1 times, a lighter debt burden than some of the sponsor-backed IPOs seen in recent years and well down from 6.5 times in 2015.

Founded more than 100 years ago, Gates targets a US$59bn global market for belts and hoses.

Blackstone installed a new management team under CEO Ivo Jurek that has cut costs and improved margins, and made several acquisitions (Techflow Flexibles and Atlas Hydraulics in 2017).

Gates's customers were willing to pay a premium for its products and a natural replacement cycle drove high-margin and recurring revenues, Jurek said in the online roadshow presentation.

"We generated over 60% of our sales from the aftermarket channel," he said. "The leadership and the replacement market emphasis contribute to our attractive levels of profitability."

The company's long-term targets include 5% organic sales growth, 23% adjusted Ebitda margins (22% last year), and 90%-plus free cash flow conversion.

Though it does not plan to a pay a dividend, the company plans to bring net leverage levels to under three times in the long term. It also plans to pursue strategic acquisitions.

Anthony Hughes

Dole Food withdraws IPO plan

US Failed M&A brings down listing plans too

Packaged food company **DOLE FOOD** has ended what many saw as a tenuous bid to go public for a third time.

The packaged food company formally withdrew the registration statement for a planned IPO on January 10. Dole had first filed for the deal in April last year.

The move came a week after Belgian food processor **GREENYARD** called off negotiations to acquire Dole without reaching a definitive agreement.

Dole had also shopped itself to private equity firms but preferred the Greenyard offer, Reuters reported last month, citing unidentified sources.

DIFFICULT

Though it is unclear why the flotation was withdrawn as well, ECM bankers said an IPO of Dole always looked difficult.

"Dole shouldn't be a public company," one ECM banker away told IFR. "Look at their financials. They were terrible when they were a public company.

"It would be wise to get a [strategic] bid for the business."

Morgan Stanley, *Bank of America Merrill Lynch* and *Deutsche Bank* were mandated by Dole last February to lead the IPO. The last filing, in June, shows Dole made a last full-year operating profit of just US$21.4m on revenue of US$4.5bn in the year ended December 2016.

Dole was taken private by its 94-year-old chairman David Murdock in 2003 and again 2013.

Controversy surrounding the latter transaction saw the purchase price increased to US$1.15bn after a judge ruled that Murdock used overly pessimistic financial forecasts in negotiations and breached his "duty of loyalty to stockholders".

Stephen Lacey

Victory boasts an operating platform that provides centralised distribution, marketing and operations infrastructure to support "specialised and largely autonomous investment managers". These managers are pursuing 70 distinct investment strategies.

Victory, which has grown its AUM more than three-fold from US$17.9bn since a management buyout backed by Crestview in August 2013 (for a reported US$246m), also boasts its own proprietary ETF brand, VictoryShares.

MENLO ITCHING TO GO PUBLIC

Dermatology drug developer **MENLO PHARMACEUTICALS** set guidance on a US$90m IPO after testing the waters at the JP Morgan Healthcare Conference earlier in the week.

Jefferies, *Piper Jaffray* and *Guggenheim Securities* are marketing 5.67m shares at US$14-$16 each for pricing on January 24.

The deal is backed by insider indications of up to US$40m.

Menlo's top shareholders are Vivo Capital (24.9% pre-IPO), Remeditex Ventures (17.8%), Presidio Partners (16.5%), Merck & Co (8.3%) and Venbio (8.0%).

Venbio acquired its initial stake last July as the anchor of a US$50.5m private placement alongside existing shareholders. The public offering seeks a valuation step-up that is 1.4-times the equivalent price of the private round.

Menlo's drug serlopitant is a potential treatment for itching associated with several skin conditions. It is also being developed to treat chronic cough.

The company will report data from a Phase II trial this spring and begin Phase III soon after. Phase II trials for other skin conditions are also planned and are ongoing for chronic cough with data expected by late 2018, or early 2019.

Proceeds from the IPO will take the company through to the fourth quarter of 2019, according to the prospectus.

SPACS ATTACK MARKET IN NEW YEAR

Special purpose acquisition companies are white-hot to start the new year. With a pair of debuts this week, SPACs have already secured US$575m of funding this year to hunt for acquisitions.

SPACs raised a record-high US$13bn in 2017.

The front end of financings, that is the IPOs, are unremarkable despite their growing popularity.

NEBULA ACQUISITION, a vehicle sponsored by tech-specialist True Wind Capital, closed its debut session on Tuesday at US$10.06, six cents above offer.

Deutsche Bank and *Goldman Sachs*, the joint bookrunners on the offering, placed 25m units the night before at US$10 apiece. Each unit comprises one share of common stock and one-third of a warrant exercisable at US$11.50 per full warrant, a now standard structure.

Nebula has 24 months to identify an acquisition, also typical.

The vehicle's specific focus on tech does provide some cache, following the debuts of GTY Technologies in November 2016 and Social Capital in September.

Nebula also differentiates on management led by True Wind founders and former KKR tech heads Adam Clammer and James Greene.

Friday saw the debut of **PLATINUM EAGLE ACQUISITION**, a vehicle headed by former SPAC Double Eagle Acquisition CEO Jeff Sagansky. Platinum Eagle units traded at midday at US$10.02, two cents above offer.

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ECM DEALS: WEEK ENDING 12/1/2018

Stock	Country	Date	Amount	Price	Deal type	Bookrunner(s)
Hydropothecary	Canada	08/01/2018	C$130.0m	C$4.00	Block (primary)	Canaccord Genuity
Laurentian Bank of Canada	Canada	08/01/2018	C$125.0m	C$54.80	Block (primary)	TD Securities, BMO Capital Markets, CIBC World Markets
MedReleaf	Canada	08/01/2018	C$100.7m	C$26.50	Block (primary)	Canaccord Genuity, GMP Securities
Beijing Capital International Airport	China	11/01/2018	HK$2.36bn	HK$11.35	Follow-on (secondary)	JP Morgan
China Maple Leaf	China	11/01/2018	HK$1bn	HK$9.10	Follow-on (secondary)	UBS
China ZhengTong Auto Services	China	11/01/2018	HK$1.74bn	HK$7.70	Follow-on (primary)	Morgan Stanley
Universal Medical Financial & Technical Advisory Services	China	07/01/2018	HK$852m	HK$7.40	Follow-on (secondary)	UBS
Zhenro Properties Group	China	09/01/2018	HK$3.99bn	HK$3.99	IPO (primary)	CCB International, Guotai Junan International, Haitong International
Derichebourg	France	09/01/2018	€131.1m	€8	Accelerated follow-on (secondary)	Societe Generale, Gilbert Dupont
Covestro	Germany	10/01/2018	€1.81bn	€86.25	Accelerated follow-on (secondary)	Credit Suisse, Goldman Sachs
C-Mer Eye Care	Hong Kong	05/01/2018	HK$571m	HK$2.90	IPO (primary)	China Merchants Securities
NMDC	India	09/01/2018	Rs14.6bn	Rs153.50	Follow-on (secondary)	Citigroup, ICICI Securities, SBI Capital
Brunello Cucinelli	Italy	09/01/2018	€106.08m	€26	Accelerated follow-on (secondary)	Mediobanca
Mediobanca	Italy	10/01/2018	€152.3m	€9.7	Accelerated follow-on (secondary)	BNP Paribas
Hyundai Rotem	South Korea	11/01/2018	W48.55bn	W17,035	Follow-on (secondary)	Citigroup
Neinor Homes	Spain	10/01/2018	€173.99m	€17.65	Accelerated follow-on (secondary)	BNP Paribas, Credit Suisse, JP Morgan
Mavi	Turkey	08/01/2018	TL496.7m	TL52.5	Accelerated follow-on (secondary)	BAML, Goldman Sachs
B&M European Value Retail	UK	12/01/2018	£199.84m	407p	Accelerated follow-on (secondary)	Goldman Sachs
GCP Infrastructure Investments	UK	11/01/2018	£100m	122p	Follow-on (primary)	Stifel
Just Group	UK	08/01/2018	£78.5m	157p	Accelerated follow-on (secondary)	Numis
OneSavings Bank	UK	09/01/2018	£94.77m	390p	Accelerated follow-on (secondary)	Citigroup, Credit Suisse
Nebula Acquisition	US	09/01/2018	US$250.0m	US$10.00	IPO (primary)	Deutsche Bank, Goldman Sachs
Fortress Transportation & Infrastructure Investors	US	10/01/2018	US$130.6m	US$18.65	Block (primary)	Morgan Stanley, Citigroup, Barclays
Liberty Oilfield Services	US	11/01/2018	US$216.4m	US$17.00	IPO (primary)	Morgan Stanley, Goldman Sachs, Wells Fargo, Citigroup, JP Morgan, Evercore
Industrial Logistics Holdings	US	11/01/2018	US$480.0m	US$24.00	IPO (primary)	UBS, Citigroup, RBC Capital Markets
Platinum Eagle Acquisition	US	11/01/2018	US$300.0m	US$10.00	IPO (primary)	Deutsche Bank, BAML
Taylor Morrison	US	11/01/2018	US$528.2m	US$27.50	Block (secondary)	Citigroup, Goldman Sachs

Deutsche Bank and *Bank of America Merrill Lynch* combined efforts on the placement of 30m units at US$10 apiece. The banks partly exercised their overallotment on 2.5m units for "technical reasons", according to a syndicate banker at one of the underwriters.

Turnaround expert Cerberus Capital Management has also entered the SPAC game, filing documents for a US$500m IPO for **IRON HORSE ACQUISITION**. The firm has committed to invest up to an additional US$500m on a back-end acquisition directly from one of its funds or via limited partners.

Citigroup and *Goldman Sachs* are joint bookrunners.

Cerberus adds to the list of alternative asset managers seeking to tap SPACs as an alternative to traditional funds.

While Iron Horse would be its debut SPAC, the firm is no stranger to SPACs, after agreeing to sell school bus manufacturer Blue Bird to the Hennessy Capital Acquisition SPAC in 2014.

Aside from the sizable co-investment, Iron Horse is typically structured as 50m units comprised of one common share and one-third of a warrant exercisable at $11.50 per full warrant.

And while there is no specific geography or industry, Iron Horse expects to target an acquisition in the midst of "transition", such as a restructuring, acquisition, or change in business model. In other words, the quirky situations Cerberus is known for.

Cerberus is a marquee brand and Iron Horse management is similarly impressive.

Steven Mayer, Cerberus' global co-head of private equity, is the vehicle's chief executive, and Chan Galbato, chief executive of Cerberus advisory affiliate Cerberus Operations and Advisory Company, its vice chairman.

ARGENTINA

BIOCERES REFILES FOR NYSE IPO

Argentine crop specialist **BIOCERES** refiled plans for a global IPO, having withdrawn the deal last February.

Jefferies, *Piper Jaffray* and *Santander* will act as joint books on a US$100m offering of American depositary shares on the NYSE. By law, Bioceres must hold a rights offering as well.

Bioceres filed to go public in September 2015 but pulled the deal after it acquired a 50.1% stake in Argentine soybean grower Rizobacter in October 2016.

In the interim, Bioceres raised US$16.9m from the sale of convertible bonds to Monsanto Argentina and BAF Securities. It also arranged US$32m of bridge funding with BAF.

Bioceres plans to use the IPO proceeds to repay some of this debt and to fund a "minor acquisition", according to Reuters.

STRUCTURED EQUITY

CHINA

HAN'S HOLDING FILES FOR EXCHANGEABLE BONDS

HAN'S HOLDING GROUP has applied for approval to the Shenzhen Stock Exchange for a proposed private placement of exchangeable bonds of up to Rmb6bn (US$920m).

The bonds will be exchangeable into shares of **HAN'S LASER TECHNOLOGY INDUSTRY GROUP**, according to a source familiar with the situation.

Han's Holding holds 15.62% of Han's Laser's issued capital.

Citic Securities is the sole bookrunner.

TIBET ZANGGE VENTURE CAPITAL has received Shanghai Stock Exchange approval for a proposed private placement of EBs in **ZANGGE HOLDING** to raise up to Rmb2.5bn.

Tibet Zangge holds 905m Zangge Holding shares, or 43.67% of the company's total issued capital.

Guosen Securities is the sole bookrunner.

Zangge Holding is primarily engaged in the exploration and mining of mineral resources.

YTO GROUP is looking to raise up to Rmb1bn from an issue of EBs in **FIRST TRACTOR**.

YTO Group holds 411m First Tractor shares, or 41.66% of the company's total issued capital.

Citic Securities is the sole bookrunner.

First Tractor is a Shanghai-listed manufacturer of agricultural machinery.

XINFENGMING GROUP has cleared a China Securities Regulatory Commission hearing for a proposed issue of six-year convertible bonds of up to Rmb2.15bn.

Shenwan Hongyuan Financing Services is the sponsor. The polyester and filament producer will use the proceeds for four production projects.

The deal still needs written CSRC approval.

ZHEJIANG HAILIDE NEW MATERIAL has received written approval from the CSRC for a proposed sale of six-year CBs to raise up to Rmb1.09bn.

Citi Orient Securities is the sole bookrunner. Proceeds will be used to produce plastic materials.

The company is mainly engaged in the manufacture of industrial polyester fibres and lamp-box advertisement materials.

JAPAN

SHIZUOKA CB RAISES US$300m

SHIZUOKA BANK has raised US$300m from a five-year Eurodollar convertible bond issue.

The coupon is three-month US dollar Libor minus 50bp. The conversion premium is set at 27.99% (versus a guidance range of 18%–28%) above the lender's closing price of ¥1,237 last Tuesday.

The issue price is 100% and the offer price is 102.5%.

The lender will use the proceeds primarily for general funding purposes, in particular to fund US dollar loans.

Goldman Sachs and *Nomura* were joint bookrunners.

SPAIN

CELLNEX TELECOM BRINGS RARE EIGHT-YEAR CB

CELLNEX TELECOM issued €600m of new paper on Monday, providing an opportunity for investors to get into a sector that is largely under-represented in equity-linked and a name that is still fairly new to public markets.

The Spanish telecom towers business listed in May 2015, achieving top-of-the-range pricing despite marketing the float at the same time as EI Towers' bid for local peer RAI Way collapsed.

There is still potential for M&A in the sector, with Cellnex last year mentioned as a potential target of Abertis or acquirer of Arqiva.

There was no pre-sounding ahead of Monday morning's launch of €500m of eight-year paper, an unusually long tenor last seen for Germany's Deutsche Wohnen and LEG Immo last year but rarely before then.

Launched with a fixed premium of 70% and a coupon of 1.25%-2%, there is a call after four-and-a-half years subject to a 130% trigger and no put. There is a full conversion price adjustment for any cash dividend. Last year the company paid a total dividend of less than nine cents per share while shares rose 57.7% over the course of the year.

The high premium and long tenor were partly a function of how much more aggressive issuers can be early in the year, and partly a function of what is seen to be a stable sector that is heavily regulated. A banker involved said that there was no pushback on either from investors.

Nor was there pushback on a credit assumption of 195bp, derived from three straight bonds maturing in 2022, 2024 and 2025, as well as CDS. The CBs are expected to be rated BBB- by Fitch.

Notwithstanding the relatively short trading history, the stock is trading at an all-time high, opening on Monday at €22.52 versus pricing in the IPO at €14 per share.

Implied vol on guidance was 18.2%-27.8% versus historic over 100 days at 18.9% and over 250 days at 19.3%. The bond floor was 90.1%-95.5%.

Books were covered before 9:30am in London with the coupon range revised to 1.5%-1.625% before midday and sizing increased to €600m shortly after noon with pricing guided to 1.5%.

The conversion price was €38.0829 and the shares underlying the bonds represented approximately 6.8% of share capital.

Shares dropped 1.2% on Monday but recovered that the following day and closed at a new high of €88.52 on Thursday.

BNP Paribas, *Goldman Sachs* and *Morgan Stanley* were global coordinators, with Citigroup and Societe Generale as joint bookrunners.

SWITZERLAND

MID-RANGE PRICING FOR SWISS PRIME SITE

SWISS PRIME SITE on Tuesday assuaged fears that equity-linked might go a whole two weeks of issuance without any real estate paper, offering up SFr300m (US$305m) of convertible bonds maturing in 2025.

The deal was pre-sounded on Monday ahead of launch on Tuesday morning offering a coupon of 0.20%–0.45% and a premium of 10%–15%, with the reference priced based on VWAP from launch to pricing. There is a call at five years subject to a 140% trigger.

The credit assumption was 60bp, based on a straight bond with a slightly longer tenor trading around 58bp, with a shorter dated bond trading around 55bp.

Proceeds will be used for general corporate purposes and for refinancing short-term debt. Upon conversion, SPS will deliver the par value in cash and any excess due in shares.

Implied vol on guidance was 9%–14%, with recent historic vol at around 9%–10% and longer term around 15%. The bond floor was 97.4%–99.1%.

Pricing for the coupon came at 0.325% with a premium of 12.50% over the SFr90.32 reference price, for a conversion price of SFr101.61.

Credit Suisse, *UBS* and *Vontobel* were joint bookrunners.

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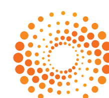
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EQUITY-LINKED DEALS WEEK ENDING: 12/1/2018

Issuer	Country	Date	Amount	Greenshoe	Tenor	Coupon (%)	Premium (%)	Bookrunner(s)
Shizuoka Bank	Japan	09/01/2018	US$300m	–	2023	Three-month US dollar Libor minus 0.5	27.99	Goldman Sachs, Nomura
Swiss Prime Site	Switzerland	08/01/2018	SFr300m	–	7y	0.325	12.50	Credit Suisse, UBS, Vontobel
Cellnex Telecom	Spain	09/01/2018	€600m	–	8y	1.500	70.00	BNP Paribas, Goldman Sachs, Morgan Stanley, Citigroup, Societe Generale
Coupa Software	US	11/01/2018	US$200.0m	US$30.0m	5y	0.400	32.50	Morgan Stanley, JP Morgan, Goldman Sachs
Exact Sciences	US	11/01/2018	US$600.0m	US$90.0m	7y	1.000	37.00	BAML

UNITED STATES

EXACTLY NOTHING TO RISK ON US$600m CB

EXACT SCIENCES stunned market participants with an upsized, US$600m seven-year CB that the colorectal cancer diagnostics company will use to fund growth initiatives.

Most impressive was the fact that the financing was risk-free, after *Bank of America Merrill Lynch* agreed to backstop the CB at a 1% coupon and 37% conversion premium.

Marketing overnight on Thursday saw BAML boost its commitment to US$600m from US$500m with pricing set at 98.75, the midpoint of 98.50-99 talk. Assuming a 97.5 purchase price, the bank earned roughly US$8m on the trade, including the US$90m overallotment option.

“We heard it was well oversubscribed,” one EQL banker away from the trade. “The CB market is totally broken from where deals should price on a theoretical basis. It’s a little surprising they had to reoffer at 98.75.”

The bonds traded at midday on Friday at 102, despite a 4.3% decline in the underlying to US$52.64.

Exact gained certainty. In addition to paying just 1% annually for seven-year debt, the CB allows it to forgo any stock dilution to share prices above US$75.43.

Exact now has a roughly US$1bn cash horde.

Exact plans to increase its direct sales force by 40% this year to 350 and double the inside sales force to 200, chief executive Kevin Conroy said at the JP Morgan healthcare conference on Tuesday.

While its Cologuard colorectal diagnostics test system is its primary focus, the company sees a potential US$13bn market opportunity by 2030 on extending tests to other forms of cancer, according to presentation materials.

Ahead of the conference, the company pre-announced expected fourth-quarter and full-year 2017 revenue of $86.9m–$87.9m and $265.5m–$266.5m, respectively. It also said it administered 176,000 of its Cologuard tests in the latest quarter, with 11,000 new healthcare providers using Cologuard for the first time.

COUPA SOFTWARE TOUTS GROWTH ON US$200m CB

COUPA SOFTWARE locked in US$200m through the sale of a five-year CB issue on Thursday, after outlining growth plans earlier in the week.

The CB was structured to reflect those bullish expectations.

Morgan Stanley, *JP Morgan* and *Goldman Sachs*, the active bookrunners, responded to strong investor demand by pricing the deal at a 0.375% coupon and 32.5% conversion premium, tighter than the 0.375%–0.875% and 25%–30% guidance. Coupa shares also rose 5% on the Thursday marketing to US$33.59.

Coupa, a fast-growing software-as-a-service provider, simultaneously entered into a derivatives transaction to offset dilution to share prices above US$63.82, a 90% premium to reference. The company also has the flexibility to call the security after three years, subject to a 130% hurdle over the US$57.86 conversion price.

Coupa, whose software is used to optimise corporate spending, went public in October 2016 at US$18.00 a share. At its inaugural analyst day last month, it outlined long-term plans to grow revenues by 30% annually for the next five to seven years to US$1bn. That compares with just US$181.5m–$182m the company has guided to for full-year fiscal (January) 2018.

With that impressive growth profile comes an expected turn to profitability.

Coupa is now looking to achieve break-even operating margins in the mid-term, versus negative 13%–23% it guided at the time of its IPO, and 25%-plus in the long-term, management outlined at the investor day.

The growth and profitability targets already have Coupa exceeding the so-called “rule of 40”, which calls for growth rate and profit summing to 40% as an acceptable trade-off in assessing stocks in the often loss-making/cash-bleeding software sector.

Coupa hit 44% on this metric in the third quarter, up from 34% a year earlier.

GLOBAL CONVERTIBLE OFFERINGS
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Morgan Stanley	3	710.25	19.5
2	Barclays	1	500.00	13.8
=2	RBC	1	500.00	13.8
4	Goldman Sachs	3	364.61	10.0
5	SG	2	293.58	8.1
=5	BNP Paribas	2	293.58	8.1
7	JP Morgan	2	216.67	6.0
8	Nomura	1	154.36	4.2
9	HSBC	1	150.00	4.1
10	Citigroup	1	143.58	3.9
	Total	7	3,635.12	

Including exchangeables.

Source: Thomson Reuters SDC code: C9

GLOBAL CONVERTIBLE OFFERINGS – EMEA
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	SG	2	293.58	18.1
=1	BNP Paribas	2	293.58	18.1
3	HSBC	1	150.00	9.2
=3	JP Morgan	1	150.00	9.2
5	Goldman Sachs	1	143.58	8.8
=5	Citigroup	1	143.58	8.8
=5	Morgan Stanley	1	143.58	8.8
8	Bank J Vontobel	1	101.71	6.3
=8	UBS	1	101.71	6.3
=8	Credit Suisse	1	101.71	6.3
	Total	3	1,623.03	

Including exchangeables.

Source: Thomson Reuters SDC code: C09d

ALL INTERNATIONAL US CONVERTIBLES
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Barclays	1	500.00	33.3
=1	Morgan Stanley	1	500.00	33.3
=1	RBC	1	500.00	33.3
	Total	1	1,500.00	

Source: Thomson Reuters SDC code: C9a

EDITOR
Matthew Davies
+44 (0)20 7542 7504
m.davies@tr.com

DEPUTY EDITOR
Equities/Structured equity:
Owen Wild
+44 (0)20 7542 8541
owen.wild@tr.com

AMERICAS BUREAU CHIEF
Jack Doran
+1 646 223 6302

ASSOCIATE EDITORS
Derivatives: Helen Bartholomew
+44 (0)20 7542 4578

Features and analysis: Gareth Gore
+44 (0)20 7542 4279

US editor: Stephen Lacey
+1 646 223 8808

Fixed-income, Emerging markets:
Sudip Roy
+44 (0)20 7542 4617

People & markets: Steven Slater
+44 (0)20 7542 4367

MANAGING EDITOR
Philip Wright
+44 (0)20 7542 8144

IFR ASIA EDITOR
Steve Garton
+852 2912 6670

HEAD OF ASIA CREDIT
Daniel Stanton
+65 6417 4548

HEAD OF US CREDIT
Natalie Harrison
+1 646 223 4070

EQUITIES EDITOR, ASIA
Fiona Lau
+852 2912 6673

ASSISTANT EDITORS: LONDON
Fixed-income: Alice Gledhill
+44 (0)20 7542 2529

People & markets:
Christopher Spink
+44 (0)20 7542 3814

Equities/Structured equity:
Robert Venes
+44 (0)20 7542 8326

NEW YORK
Equities: Anthony Hughes
+1 646 223 8174

Latin America: Paul Kilby
+1 646 223 4733

Emerging markets: Davide Scigliuzzo
+1 646 223 8388

SINGAPORE
Equities: Anuradha Subramanyan
+65 6417 4547

SENIOR CREDIT CORESPONDENT
Kit Yin Boey
+65 6417 4549

SENIOR REPORTERS: LONDON
Emerging Markets: Robert Hogg
+44 (0)20 7542 9077

Fixed-income/Structured Finance:
Chris Moore
+44 (0)20 7542 5018

Fixed-income: Jon Penner
+44 (0)20 7542 7348

NEW YORK
People & markets: Philip Scipio
+1 646 223 8767

Structured Finance: Joy Wiltermuth
+1 646 223 5022

HONG KONG
People & markets: Thomas Blott
+852 2841 5878

Fixed-income: Frances Yoon
+852 2841 5783

Fixed-income: Ina Zhou
+852 2912 6674

SYDNEY
Fixed-income: John Weavers
+612 9373 1655

REPORTERS: LONDON
Fixed-income: Yoruk Bahceli
+44 (0)20 7542 7571

Equities: Graham Fahy
+44 (0)20 7542 4381

Fixed-income: Melissa Song Loong
+44 (0)20 7542 9008

Fixed-income: Pauline Renaud
+44 (0)207 542 5016

Fixed-income: Merle Crichton
+44 (0)207 542 5006

NEW YORK
Equities: Robert Sherwood
+1 646 223 8792

Fixed-income: Eleanor Duncan
+1 646 223 6141

BEIJING
Equities: Ken Wang
+86 10 66271259

SINGAPORE
Fixed-income: Krishna Merchant
+91 9833847353

CREDIT EDITOR
Alex Chambers
+44 (0)20 7542 8389

DEPUTY CREDIT EDITOR
Helene Durand
+44 (0)20 7542 3469

NEWS EDITORS
Julian Baker
+44 (0)20 7542 7432

Marc Carnegie
+1 646 223 5124

Shankar Ramakrishnan
+1 646 223 8127

DESK EDITOR
Vincent Baby
+852 2912 6612

Ian Edmondson
+44 (0)20 7542 9703

CHIEF SUB-EDITOR
Richard Stanbury

IFR ASIA SUB-EDITOR
Dharsan Singh
+852 2912 6675

EDITORIAL ASSISTANT
Anna Farish
+44 (0)20 7542 3474

LPC/IFR LOANS
LOANS EDITOR
Tessa Walsh
+44 (0)20 7542 4048

BUREAU CHIEF: LONDON
Chris Mangham
(IFR Associate Editor)
+44 (0)20 7542 3582

BUREAU CHIEF: HONG KONG
Prakash Chakravarti
+852 2912 6671

BUREAU CHIEF: NEW YORK
Michelle Sierra
+1 646 223 8592

PUBLISHER: NEW YORK
Jonathan Methven
+1 646 223 6840

SENIOR WRITER: NEW YORK
Lynn Adler
+1 646 223 6307

AUSTRALIA EDITOR
Sharon Klyne
+ 612 9373 1847

SENIOR REPORTERS: LONDON
Sandrine Bradley
+44 (0)20 7542 0651

Alasdair Reilly
+44 (0)20 7542 3197

Claire Ruckin
+44 (0)20 7542 1891

NEW YORK
Andrew Berlin
+1 646 223 6837

Kristen Haunss
+1 646 223 6790

Leela Parker Deo
+1 646 223 6893

Jonathan Schwarzberg
+1 646 223 6809

HONG KONG
Langi Yan Jiang
+852 2912 6684

Evelynn Lin
+852 2912 6607

Chien Mi Wong
+852 2912 6611

TOKYO
Wakako Sato
+813 6441 1876

REPORTER: LONDON
Max Bower
+44 (0)20 7542 7497

David Brooke
+44 (0)20 7542 7489

PRINT/WEB PRODUCTION, LONDON
Head of production: Clive George
+44 (0)20 7542 3869

IFR production manager:
Carole Styles

Andreas Michael, Nita Webb,
Gavin White

GLOBAL HEAD – ADVERTISING & SPONSORSHIP SALES
Shahid Hamid
+65 9755 5031

ADVERTISING & SPONSORSHIP SALES DIRECTOR
Leonie Welss
+44 (0)20 7542 7752

GLOBAL ADVERTISING PRODUCTION MANAGER
Gloria Balbastro
+44 (0)20 7542 4348

SUBSCRIPTION SALES ENQUIRIES
UK/EMEA
+44 (0)20 7542 4569
Americas
+1 646 223 5543
China, Hong Kong, Japan, Korean, Taiwan
Alan Wong +852 2912 6606

Australia, India, Indonesia, Malaysia, Singapore, Thailand
Samantha Harris +612 9373 1749

CLIENT SERVICES
IFR.Clientsupport@tr.com

NEW ISSUES LEAGUE TABLE & DATABASE
ECM: Ashley Filzer
+44 (0)20 7542 1271

Loans: Ewelina Jarecka
+44 (0)20 7542 2246

DCM: Ian Willmott
+44 (0)20 7542 4376

REPRINTS OR LICENCE TO COPY
Gloria Balbastro
+44 (0)20 7542 4348

E-MAIL ADDRESSES
firstname.lastname@tr.com

LONDON, HEAD OFFICE
30 South Colonnade
Canary Wharf
London E14 5EP
Tel +44 (0)20 7250 1122

NEW YORK
3 Times Square
18th Floor
New York
NY10036

HONG KONG
16/F Cityplaza 3
14 Taikoo Wan Road
Taikoo Shing,
Hong Kong
Tel +852 2522 4159

SINGAPORE
18 Science Park Drive
Singapore 118229
Tel +65 6775 5088

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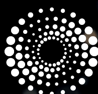
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