THOMSON REUTERS

IFR

INTERNATIONAL FINANCING REVIEW

FEBRUARY 3 2018 ISSUE 2219 www.ifre.com

Rates spike but credit remains calm: spreads are tighter as primary remains open

Evergrande risks Asia's equity-linked party as HK$18bn convert struggles over the line

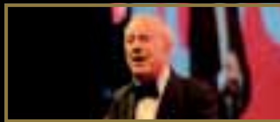
Blackstone lines up US$14bn of debt to buy IFR (plus majority of TR's F&R division)

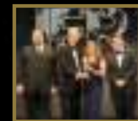
RESTRUCTURING
Noble Group workout to inflict massive haircut on bondholders
06

DERIVATIVES
Hedge fund seeks damages over Hovnanian CDS 'fraud'
06

BONDS
Greece to test appetite with seven-year comeback deal
08

EQUITIES
First European IPOs of 2018 flop as only one prices at launch terms
09





The Thomson Reuters IFR Awards Dinner

Guaranteed Securities due January 2018

£1,010,000

Save the Children

Bookrunner

JP Morgan £500,000

Senior Co-Lead Managers

BNP Paribas
Citigroup
HSBC

Co-Lead Managers

Deutsche Bank
Credit Agricole
Goldman Sachs
UBS

Co-Managers

Barclays
Credit Suisse
Morgan Stanley
Royal Bank of Canada
Thomson Reuters
UniCredit
Citadel Securities
Nomura
Wells Fargo
Daiwa
MUFG

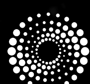
We would also like to thank all those who made personal donations totalling £22,810

Total Since Inception

£26,631,621

Registered Charity Number: 213890

IFR salutes the financial community for its fantastic generosity and congratulates the award winners and all who contributed to making our annual awards dinner such a memorable occasion.



THOMSON REUTERS™

www.IFRAwards.com
#IFRAwards

Upfront

Bullying tactics

Evergrande's latest capital markets outing is a stark example of the kind of bullying tactics investors often have to put up with in Asia.

The Chinese property developer launched its latest assault on the capital markets on Tuesday, asking convertible bond investors to lend it US$3bn with no maturity date and a conversion premium of up to 60%.

Those terms are aggressive by any measure, even ignoring the fact that the stock is up over 400% in the past 12 months. But this approach to fundraising is straight out of Evergrande's play-book.

Straight debt investors know Evergrande well, and will remember the oversized high-yield bonds the company sold last June, raising more than US$8bn through a combination of exchange offers and new issues.

The company got its money, but the deal tumbled by as much as five points in secondary trading after the issuer stunned the market with a far larger financing than investors had expected.

Evergrande is used to having things its own way in the capital markets, even fighting off a challenge from short-sellers in 2012. Its stock and bonds have been on a tear over the past year, despite lingering concerns over its aggressive financing structure and low junk credit rating.

This time around, however, CB investors rejected the terms almost immediately.

The six bookrunners then had to rethink the structure, and relaunched the deal with revised terms a few hours later. Investors ended up with a far sweeter proposition, with a fixed maturity, lower premium, smaller size and a put option instead of a call.

The final HK$18bn (US$2.2bn) five-year convertible is still Asia's biggest equity-linked deal of the year so far. But the climbdown during bookbuilding showed that even the mighty Evergrande needs to show the markets some respect.

For other wannabe heavyweights, the message is clear: bullying doesn't pay.

Another bully

Evergrande wasn't the only issuer believing it could dictate terms to equity investors last week.

In the case of Metrovacesa's IPO, bankers on the deal said the sellers ignored feedback from investors who demanded a discount to net asset value. Instead, the company insisted on pricing at a premium.

Investors reacted by closing their wallets and steering clear of the Spanish home-builder.

When the books closed without sufficient demand on Thursday the deal was quickly revived with just one change – pricing at a discount to NAV.

Metrovacesa was the first European IPO of 2018 but not the only one to struggle.

Of two Turkish floats that followed the next day, Enerjisa Enerji went through but the other – for private hospital operator MLP – had to be revised and continues into this week.

Pricing Turkish IPOs is traditionally tricky so such difficulties are easily brushed off.

The Metrovacesa flop is more of a cause for concern, especially considering two domestic peers floated in the past 12 months so there could hardly be better clarity on the investor base and likely valuation. Indeed, that is precisely the point: bankers knew precisely where to price the deal first time. They just couldn't convince the client to take their advice.

It is particularly frustrating that while Europe stutters the US market is booming, with 20 IPOs priced in January raising US$9.6bn – a record start to the year.

Investors are awash with cash as more than US$100bn has flowed into equity funds this year and are putting it to work even as markets trade at record highs.

It is clear nonetheless that sellers who get carried away – and ignore what investors are telling them – will be shunned. And rightly so.

2023 or bust

Just as Jamie Dimon was pledging last week to continue running JP Morgan for another five years (and on the same day as the bank was picking up its Bank of the Year gong at the IFR awards evening), the value of JP Morgan broke through US$400bn for the first time.

The value of a boss can be measured in many ways, but perhaps the easiest is via its share price. In his 12 years in charge, JP Morgan's market value has almost trebled from US$139bn.

That's included weathering the financial crisis, a trading scandal and Dimon's own health worries. Citigroup was a bigger bank when Dimon started, but now has barely half JPM's value after a 15% drop. Others have fared far worse, or gone belly up.

The risk for Dimon is that he overstays his welcome. Twelve years in charge is a good innings; 17 may be pushing your luck.

Another risk is a botched succession. Dimon has been criticised for casting off rivals, or offering them little hope of taking his throne.

Daniel Pinto and Gordon Smith now appear front-runners to succeed Dimon, but by 2023 both will be in their 60s. A better bet may be finance chief Marianne Lake, potentially making her the first female in charge of one of the big US banks. And a Brit at that.

The timing and candidate could still come down to Dimon's political aspirations. Chatter insists that he could take a run at the White House in 2020, although his latest comments perhaps show he has cooled on that idea – as does perhaps the announcement that JP Morgan is to team up with Amazon and Berkshire Hathaway to improve healthcare for their US employees.

Whenever he decides to leave, he will go with the shareholder cheers ringing in his ears. But it is clear that his ultimate gift to those shareholders will be handing over to a person able to take his bank from strength to strength.

Save the Children

Rabiou, 19 months old, Niger - Talitha Brauer/Save the Children

THANK YOU FOR TRANSFORMING CHILDREN'S LIVES

Thanks to the incredible generosity of the guests at the 2017 IFR Awards Dinner, we are pleased to announce that £1,032,810 was raised to help children wherever and whenever they need us most.

Your support means that we can help children like Rabiou, 19 months, who was treated for malnutrition at a Save the Children funded stabilisation centre in Niger.

Save the Children believes every child deserves a future. Around the world, we give children a healthy start in life, the opportunity to learn and protection from harm. Thank you for your continued support which makes our life-saving work possible.

#ifrawards

IFR is proud to support Save the Children. The IFR Awards are part of the Thomson Reuters Awards for Excellence, which recognise corporate and individual success in the global finance industry.

Registered charity England and Wales (213890) Scotland (SC039570)
savethechildren.org.uk

THOMSON REUTERS

Contents

INTERNATIONAL FINANCING REVIEW
FEBRUARY 3 2018 ISSUE 2219

TOP NEWS 04

BONDS
Spike Sell-off in government bonds accelerated last week, but credit seems calm with spreads still at tight levels and primary market open for business. **04**

STRUCTURED EQUITY
Pause for thought Evergrande's HK$18bn convert struggles over the line, potentially knocking the wind out of Asia's equity-linked party. **05**

RESTRUCTURING
Haircut Noble Group's proposed reworking is set to inflict massive losses on creditors collectively holding more than US$3bn of outstanding debt. **06**

DERIVATIVES
Courts Hedge fund Solus is seeking damages over Hovnanian's controversial debt swap after a judge allowed the transaction to go ahead. **06**

Loans/Bonds Blackstone lines up US$14bn of debt to buy IFR. **07**
Bonds Greece to test appetite with seven-year comeback deal. **08**
Equities First European IPOs of 2018 flop with valuation cuts needed. **09**
People & Markets Eurozone lags behind in changing post-Libor reference rates. **10**

PEOPLE & MARKETS 15

Dilemma Deutsche Bank lifts pay by 8% despite 15% revenue fall, raising questions about the effectiveness of its cost-cutting efforts.
Stressed Europe's banks will face their toughest "stress test" this year, including the impact of a hard Brexit, an economic slump, and a shock to markets. **19**
Scrapped Eurex has ended plans for a derivatives clearing and exchange hub in Singapore, planning instead to extend trading hours in Europe. **21**
Heating up Lazard sees M&A increasing in Europe, and is particularly bullish on France. **22**
Taking time Delays likely to debt restructuring of Norwegian oil drilling company Seadrill. **24**
Broader universe India takes steps to deepen its corporate bond market. **25**

BONDS 27

Return Greek banks could attempt to raise subordinated debt.
Poll Italian issuers shrug off election risk. **35** **Supply** Covered bonds ease past 2017 tally. **41**

EMERGING MARKETS 59

Oligarchs Russian issuers brush off US Treasury list for possible sanctions.
China Investors weigh up LGFV risks. **60** **Poland** Leads Green sovereign pack. **66**

LOANS 71

Punishment LMA introduces the prospect of penalties for late settlement.
Australia Soft outlook for infra lending. **72** **Action** Shareholders accrue latest dividend. **82**

EQUITIES 85

Debut Travel retailer Hudson stumbles early after finding willing takers.
Jackpot Caesars landlord raises US$1.2bn. **85** **Oil** FTS International sizes up to US$350m IPO. **93**

STRUCTURED EQUITY 96

China Han's Laser Technology readies convertible bond issue.
CNPC Oil giant in record exchangeable. **97** **Western Digital** Secures US$1bn from CB. **97**

› Noble reveals workout plan 06 › Solus seeks damages from Hovnanian 06 › Greece returns 08

Rates spike but credit calm

■ **Bonds** Spreads tighter as no material selling and the primary market robust

BY SUDIP ROY, HELENE DURAND

A sell-off in government bonds accelerated last week but credit seems unperturbed, with spreads remaining at tight levels and the primary market open for business.

Rates markets in both the US and Europe have come under pressure since the turn of the year thanks to a mix of better growth prospects and a withdrawal of central bank stimulus.

Idiosyncratic reasons are at play too. In the US, for example, Donald Trump's tax cut plans will need to be paid for by more Treasury issuance. At the same time, some foreign investors are becoming cautious about US government bonds because of the weaker dollar.

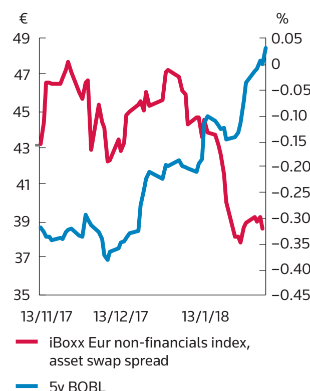
Ten-year Treasury yields have risen more than 30bp over the past month, crossing the 2.80% threshold for the first time since April 2014. The 10-year German Bund yield, meanwhile, has jumped 30bp to 0.74%, the highest since December 2015.

While bankers and investors are keeping a nervous eye on the moves, most are still sanguine about the market's outlook. "The economic backdrop is very supportive and while we recognise that we are in a rate rising environment, inflation has not raised its head so far which suggests there shouldn't be a tantrum," said Annabel Rudebeck, head of non-US credit at Western Asset Management.

The "taper tantrum" in 2013 - when 10-year Treasury yields jumped nearly 75bp in a little over a month as the Fed signalled the beginning of the end of its QE programme - rocked both primary and secondary markets.

The current repricing of government markets is more measured. "If you look at the impact of the rates sell-off on secondary … it has been generally positive for high quality spread product," said Adam Bothamley, global head of debt syndicate at HSBC.

CREDIT FALLS AS RATES RISE



Source: Thomson Reuters

"Investment-grade spreads in particular have tightened as yields have backed up and encouraged yield-focused buyers into the market. Insurance companies are buying credit because yields are higher, so on a spread basis, it's broadly tighter [than] where it was."

The iBoxx euro non-financials corporate index, for example, has tightened 8.5bp this year on an asset swap basis, and at 38.5bp is less than a basis point off post-crisis tights.

SAME STORY

It is a similar story in the US, where the average spread for high-grade credit hit a post-crisis low of 90bp over Treasuries last week, according to ICE BAML data.

In emerging markets the EMBI Global index, which monitors sovereigns, tightened by 15bp in January to 295bp over Treasuries, while the equivalent index for corporates is just 20bp wide of its post-crisis low.

"We have continued pain in the US Treasury market and meanwhile EM debt hasn't really sold off," said Michael Roche, an emerging market fixed-income analyst at Seaport.

Some emerging markets investors are taking the rates sell-off as a chance to add duration at better levels, added a trader.

The big question is how long this state of affairs lasts. "So as long as we see this level of yields sustained, rather than excessive volatility, then – all else [being] equal - that's positive," said Bothamley.

"The challenge will be if we start to see some really wild moves in terms of yields. That could lead some of the insurance guys to sit on the sidelines, in which case it could become more challenging. But at the moment, it's constructive."

FIREPOWER

One reason that credit spreads have continued to perform is investor firepower.

Bond funds have recorded more than US$37bn of inflows this year, according to Bank of America Merrill Lynch and EPFR Global data. While that is a lot less than the US$100bn-plus that has poured into equities, the cumulative effect of inflows virtually every week since the start of 2017 means that investors have plenty of cash to deploy.

"There are mounds of cash coming in," said one US banker.

Outflows are unlikely to take hold as long as rates volatility - as opposed to rates levels - stays low, according to BAML strategists.

And with the ECB still buying €30bn of bonds a month, in Europe at least the market's anchor remains in place.

LACK OF SUPPLY

The other thing pushing spreads tighter is a relative lack of supply across many sectors. In Europe, investment-grade corporate issuance in January was down nearly 28%, at €24.3bn-equivalent versus €33.7bn-equivalent in 2017, according to IFR data.

In US investment-grade, issuance volumes in January (including deals from emerging markets borrowers selling 144A or SEC-registered bonds) were nearly US$50bn off last year's pace.

There are many reasons for volumes being lower on both sides of the Atlantic. In Europe, for example, some corporates pre-funded last year, while the dearth of M&A deals is also impacting flow.

"We have continued pain in the US Treasury market and meanwhile EM debt hasn't really sold off"

In the US, tax reforms are reducing the need for companies to raise debt to fund M&A or share buybacks. Microsoft, for example, said on Wednesday's earnings call that access to overseas cash means it will not be coming to the capital markets for now.

Those issuers accessing markets are finding conditions supportive. Many bonds issued last week in the US paid negative new issue concessions on order books that were multiple-times covered.

FEDEX's US$1.5bn two-part deal was nearly four-times covered. That allowed the company to tighten spreads on

both the 10 and 30-year bonds by nearly 20bp from initial talk, leaving concessions at negative 1bp.

"There isn't much concern around demand for corporate bonds, which have had such supportive technicals," said the US banker. "As long as rates tick higher gradually, that's only a good thing for insurance companies and pension funds, because it will make coupons slightly higher."

DISLOCATION

The one market seeing some dislocation is bank capital. Recent AT1 deals from Belfius and UBS are trading below reoffer. Part of that is down to profit-taking, especially as the sector has rallied hard over the past 12 months and, with yields rising, had arguably got toppy.

> "As long as rates tick higher gradually, that's only a good thing for insurance companies and pension funds, because it will make coupons slightly higher"

Belfius, for example, paid the lowest coupon ever for a non-investment grade AT1 when it issued €500m perpetual non-call seven notes at 3.625%. The bonds are rated Ba2 by Moody's and BB by Standard & Poor's.

Sectors such as AT1 will be especially vulnerable to a sell-off in rates precisely because the focus is on cash prices, with the market driven by sentiment. Belfius is trading at a bid price of 99.10, while UBS is quoted with a 98 handle.

Bankers say the performances of the two bonds are far from a disaster, although they acknowledge they provide a note of caution of what could happen elsewhere if volatility picks up. ■

Additional reporting by Paul Kilby, Shankar Ramakrishnan and Eleanor Duncan

Evergrande ends equity-linked party

Structured Equity **Restructured deal gives investors pause for thought**

BY FIONA LAU

CHINA EVERGRANDE GROUP knocked the wind out of Asia's equity-linked capital markets with an opportunistic HK$18bn (US$2.3bn) convertible bond issue, which had to be hastily restructured to get over the line.

The convertible took total equity-linked issuance in Asia-Pacific, excluding Japan and domestic China shares, to US$6.78bn in January alone, almost matching the US$6.88bn raised in the whole of 2017.

Evergrande's ambitions, however, were too rich for investors' tastes. After marketing a HK$23bn perpetual CB with a call option for the issuer, it was forced to relaunch the issue at a smaller size, with a lower conversion premium, a fixed maturity and a put option for investors.

The lacklustre response may make investors think twice about buying the next deal from the sector, and bankers expect property issuers to take a breather before rushing to the market. So far this year, five of the eight international equity-linked deals have been from Chinese developers, taking advantage of rallying stock markets and strong risk appetite.

"With so much supply from property issues lately, there were already signs of weakening in the sector before the Evergrande deal launched. Throwing out such a big deal with an unpopular structure at aggressive terms could crash the market," said an equity-linked banker.

Buoyant stock prices have encouraged many property companies to consider opportunistic trades, and the growing acceptance of short-dated structures has allowed them to seize the market window.

Under Chinese rules, bond offerings with maturities under one year do not need to be registered with the National Development and Reform Commission, the regulator for offshore bond issues.

A day before the Evergrande deal, FUTURE LAND DEVELOPMENT HOLDINGS and POWERLONG REAL ESTATE HOLDINGS raised a combined HK$4.34bn from CBs last Monday. Future Land was particularly aggressive, as its deal came less than two weeks after a HK$1.56bn share placement. Both CBs traded below water last Tuesday, despite strong demand.

Country Garden Holdings and Cifi Holdings Group raised HK$15.6bn and HK$2.79bn, respectively, from CBs earlier this month.

SURPRISING

To the surprise of many, Evergrande began marketing a HK$23bn perpetual CB issue last Tuesday on aggressive terms – a distribution rate of 3%–4% and a conversion premium of 50%–60%.

The deal immediately raised eyebrows. Perpetual maturities are rare in equity-linked instruments, and investors tend to avoid a high conversion premium on a deal with no fixed repayment date. Perpetuals are also not eligible for CB indices, further discouraging outright investors.

On the other hand, the undated format is attractive for issuers as it receives accounting treatment as equity.

Around four hours after launch, Evergrande decided to restructure the deal as the original one failed to generate enough demand.

"The combination of a complex structure, aggressive terms and a huge offer worked against the original deal," said a person with knowledge of the issue.

"There was simply not enough demand for the perp. A perp needs more investor education and is not the best instrument when issuers want to execute opportunistic trades."

SECOND ATTEMPT

Instead, Evergrande opted for a vanilla CB issue on its second attempt for a smaller deal of HK$15.56bn. The five-year put-three CBs came with a coupon and yield of 3.75%–4.25% and a conversion premium of 40%–45%.

The deal eventually raised HK$18bn after being priced at the investor-friendly end of terms. The coupon was fixed at the top of the range, while the conversion premium was at the bottom of range.

About 70 accounts participated. Global multi-strategy investors accounted for the bulk of demand, though European outright investors and private-banking clients also participated.

Asian PB clients, especially those with connections to the Chinese property sector, were said to be behind a significant portion of demand.

Bankers away from the Evergrande deal reckon it remains to be seen whether the episode will shut the market, but say investors definitely want more diversification.

"CB investors are up to their necks in property names," said one of the bankers.

Evergrande's CBs were trading below par at 99.80 last Wednesday.

Evergrande's shares have risen 417.5% over the past 12 months. There is a 90-day lock-up on the issuer and shareholder Xin Xin (BVI).

The funds will be used for refinancing and for general corporate purposes.

Bank of America Merrill Lynch, *Citigroup*, *Credit Suisse*, *Deutsche Bank*, *Haitong International Securities* and *UBS* were the bookrunners. ■

Noble reveals workout plan

Restructuring Struggling commodities trader outlines agreement with group of creditors

BY DANIEL STANTON

NOBLE GROUP revealed the terms of its proposed restructuring last Monday, confirming that creditors are in line for heavy losses on more than US$3bn of outstanding debt.

The embattled commodity trader said it had reached an in-principle agreement with an ad hoc group of creditors to halve its senior debt and overhaul its corporate structure.

However, it made no mention of a rumoured strategic investment, and the ad hoc group's 30% holding was far short of the proportion of creditors that would be needed to pass the measures.

The announcement moves Noble a step closer to securing its future as a going concern, albeit as a far smaller company, but sets the scene for more tense negotiations as it looks to convince other creditors to support the proposal and the hefty haircut involved.

In the documentation for its 2022 bonds, Noble stated that any changes to the maturity or coupons of its issues would require a vote of holders of at least 75% of its notes, of which 75% must vote in favour for the measures to pass.

> "Just to understate the obvious, Noble has a terrible history of accurately valuing assets on its balance sheet"

Noble was due to pay a coupon on Monday on its 6.75% 2020 bonds, which might explain why it made the announcement before waiting to build more support. A spokesperson for Noble declined to confirm whether it had made the coupon payment, but a research report from BNP Paribas indicated that it had.

The company had missed coupon payments on perpetual bonds last year but, under the terms of those notes, doing so did not constitute a default.

Under the terms of the proposal, Singapore-listed Noble will change its organisational structure, creating a vehicle, for now called Topco, which would be 70% owned by senior creditors, 20% by Noble's management and 10% by existing shareholders. Half of the management stake is dependent on Noble hitting certain Ebitda targets.

Topco will be the parent of a company holding Noble's assets and a separate trading entity that will become the group's main operating company. The trading entity will be held through an intermediate holdco.

The assets, Harbour Energy, Noble Plantations, Jamalco and nine ships, are targeted for sale.

CreditSights pointed out that a full-blown bankruptcy filing would result in trading counterparties filing large claims, giving bondholders an incentive to support the scheme, but warned that the management might continue to burn through cash if it was approved.

The analysts also questioned Noble's ability to meet its disposal targets.

"Noble said these assets have a NAV at 3Q17 of US$859m, but that is Noble's carrying value of the assets, and, just to understate the obvious, Noble has a terrible history of accurately valuing assets on its balance sheet," wrote CreditSights. In July, Noble recognised a US$1.3bn non-cash impairment charge on its trading book.

PRINCIPAL LOSSES

Holders of Noble's US$400m perpetual capital securities have been invited to exchange them for US$15m in value, equivalent to about four cents on the dollar.

The remaining senior securities – US$379m of senior notes due March 20 2018, US$1.177bn due in 2020 and US$750m due in 2022, plus a revolving credit facility of US$1.143bn – will be exchanged for a combination of new debt and equity.

Hedge fund seeks damages over CDS 'fraud'

Derivatives Battle goes on even after US judge greenlights debt swap

BY DAVIDE SCIGLIUZZO

Hedge fund SOLUS vowed to keep up its battle against HOVNANIAN's controversial debt swap and is seeking damages after a judge last week allowed the transaction to go through.

The dispute has captivated traders and investors in the US$1.4trn credit default swap market, whose existence, some say, is threatened by the affair.

Solus failed to convince a US judge to block the swap, which is part of a complicated refinancing agreement that the company made with GSO, the credit arm of private equity firm BLACKSTONE.

GSO offered Hovnanian an unsecured term loan at the favourable rate of just 5% - less than half the 11% to 13.5% other banks including Goldman Sachs and JP Morgan offered.

In exchange, Hovnanian agreed to miss an interest payment on a portion of its 2019 bonds that one of its subsidiaries will acquire through the swap, a move likely to trigger payments to buyers of CDS protection on the company.

That would deliver a big payout to GSO, which has bought over US$330m of the contracts, and significant losses to Solus, which sold over US$260m of them.

The hedge fund alleges that the GSO deal is fraudulent, as Hovnanian would not otherwise have been in danger of defaulting.

"The court allowed the exchange offer to proceed because it found that Solus could be adequately compensated by an award of money damages," Jon Pickhardt of Quinn Emanuel, the law firm representing Solus, told IFR.

"We look forward to proving our case."

Hovnanian said around 72% of holders of its 8% 2019 bonds had agreed to exchange them for a combination of cash and new longer-dated bonds, which expired on Monday.

For every US$1,000 of 2019s tendered into the exchange, investors will receive US$155.79 of cash, US$532.31 of new 13.5% 2026s and US$529.54 of 5% 2040s.

CHESS GAME

The agreement for Hovnanian to skip a payment has raised the hackles of many in the CDS market who believe a voluntary default distorts that market's proper functioning.

In denying Solus's motion, however, Judge Laura Taylor Swain said "any proliferation of engineered defaults" could be mitigated by the International Swaps and Derivatives Association.

"The court is not … persuaded that ISDA is so powerless to act in an effective way with respect to the effect of intentional defaults on the CDS market," she wrote.

ISDA's former chief executive Robert Pickel, who was retained

This will include US$700m in 3.5-year secured bonds issued by the assetco and paying a 10% coupon in kind.

The new trading company will issue US$685m of 4.5-year senior secured bonds, paying 8.75% for the first 18 months and 9.75% thereafter. For the first 12 months, half of the coupon will be paid in cash and half in kind, with the coupon to be paid in cash thereafter.

The trading entity holdco will issue US$270m of structurally subordinated senior seven-year bonds, secured over shares in the trading company and intercompany claims. It will carry a "pay if you can" coupon to be paid in cash or in kind. This will be set at 5% for the first 18 months and 9.75% thereafter.

The assetco will also issue US$200m of zero-coupon unsecured preference shares, 90% of which will be issued to creditors and 10% to Topco.

In addition, Noble said it had agreed a US$700m trade finance and hedging facility, committed for three years at what it said was competitive market terms. Noble's senior creditors will be invited to join the facility on a pro rata basis, and the ad hoc group of creditors has agreed to underwrite the remainder.

Under the proposal, the ad hoc group of bondholders will receive a "work fee" of 2%, and a 5% fee for underwriting the trade finance facility. Bondholders would receive a higher recovery rate if they also provided trade financing under the facility, although the recovery rate would drop if participation was very high.

"Based on the proposed restructuring terms, we estimate that the bond recovery will be about 49 cents to a dollar if participation rate is 100% and about 56 cents to a dollar if participation rate is 80%," wrote Nomura in a research note.

Noble's 2022 bonds, issued last March, climbed six points on January 30 to a cash price of 56, following the announcement. The stock fell 11.5% to S$0.23 per share.

The company said it would invite creditors to sign a restructuring support agreement, but did not give details of timing.

Houlihan Lokey advised the ad hoc group of creditors. ■

---

as an expert by Solus, said the CDS market faced an "existential threat" from manufactured defaults.

Other market participants who agreed to speak to IFR on condition of anonymity also expressed concerns.

"It's like playing three-dimensional chess," said one trader at a large US asset manager. "We will think twice before we engage [using CDS], especially in credits with upcoming maturities."

An ISDA spokeswoman said the group would "continue to gather feedback from its members" about the matter.

Derivatives lawyers say tweaks to the existing standard derivatives contracts could help prevent engineered credit events, though the process is likely to take time.

One proposal, for example, is to exclude defaults on debt owed to a subsidiary - like in Hovnanian's case - from the potential triggers of a credit event.

"In writing contracts that are not specific to a transaction you invariably run into situations where the wording of the contract is too general and clever people could find ways to arrive at the result they want," said Julia Lu, a partner at law firm RK&O.

"The court is not ... persuaded that ISDA is so powerless to act"

"It depends on how much [an issuer-created credit event] is going to come up again. If people think this is going to be a recurring problem going forward, they will have an incentive to make rule changes." ■

Banks line up US$14bn debt for TR acquisition

■ **Loans/Bonds** **Largest LBO loan since Heinz in 2013**

BY CLAIRE RUCKIN, ANDREW BERLIN

Banks are lining up a jumbo leveraged financing of around US$14bn to back US private equity firm Blackstone Group's acquisition of a 55% stake in the financial and risk business of **THOMSON REUTERS**.

Bank of America Merrill Lynch, *Citigroup* and *JP Morgan* will lead the debt financing, with several other banks to be added due to the large size of the underwriting.

As many as 10 banks with existing relationships with Blackstone could be brought in and that process might start in the next few days, a banking source said.

Thomson Reuters will retain a 45% holding and will receive approximately US$17bn, including about US$3bn in cash and US$14bn of debt and preferred equity issued by the new business, the companies said. The Canada Pension Plan Investment Board and Singapore's GIC will invest alongside Blackstone.

The US$14bn financing is expected to be led from New York and comprise around 60% leveraged loans and 40% in high-yield bonds, denominated mainly in US dollars, bankers said. There is also expected to be some euro-denominated tranches.

A US$14bn financing would give leverage of around 7.5 times, based on last 12-month Ebitda of approximately US$1.7bn for the F&R unit. Senior leverage of roughly 4.5-5.0 times could give a loan of US$8bn-$9bn, and junior debt of US$4bn-$5bn, sources said.

Another source familiar with the matter said that leverage was expected to end up below six times.

Although the size of the financing is challenging, liquid banks and investors are eager to lend to new buyouts as the strong level of global demand continues to exceed supply.

"The market capacity for Europe is about €5bn between loans and bonds and in the US is US$10bn-$15bn, so if there is a big deal that pushes capacity and the business has revenue globally it would make sense to have euro and dollars in loans and bonds to create a competitive dynamic in order to get best execution," a senior banker said.

The deal is the largest LBO loan financing since 2013 when ketchup maker HJ Heinz raised a US$14.1bn financing to back its buyout by Warren Buffett's Berkshire Hathaway and 3G Capital.

Thomson Reuters and Blackstone declined to comment.

COST CUTTING

The news and information group, controlled by Canada's Thomson family, has relied heavily on cost cutting in recent years as its core customers, including banks, brokerages and investment houses, retrench in the face of weak trading conditions, tougher regulations and the rise of passive investing.

The partnership will be managed by a 10-person board composed of five representatives from Blackstone and four from Thomson Reuters. The president and CEO of the new partnership will serve as a non-voting member of the board following the closing of the transaction.

The company plans to use US$9bn to US$10bn to buy back shares, and use the rest to pay down debt, invest in its legal and tax & accounting units and make selective acquisitions.

Woodbridge, the Thomson family's investment company, will take part in the share repurchase, maintaining its ownership in Thomson Reuters in the 50%-60% range.

IFR is a unit of Thomson Reuters. ■

Additional reporting by Davide Scigliuzzo and Natalie Harrison

Greece to test appetite with longest comeback deal

■ **Bonds** **Sovereign could return this week with seven-year trade**

BY MELISSA SONG LOONG

GREECE will face its biggest bond market test soon as it looks to syndicate its longest trade since it returned from market exile last year.

The issuer has mandated *Barclays*, *BNP Paribas*, *Citigroup*, *JP Morgan* and *Nomura* for a seven-year transaction, according to sources. The banks declined to comment.

The country, which is due to exit its third bailout programme in August, has been eager to prove that it can stand on its own feet, and access to new money in the seven-year part of the curve will be its boldest move yet.

In 2014, when it returned to the bond market for the first time since its 2012 debt restructuring, it did not go beyond five years.

"The picture is looking more sustainable," said an investor. "We missed the opportunity when the growth story was getting better. I wish we'd been part of it … I suppose we still can."

> "Although … seven years is a long time to be tied up in [Greece's] debt"

In its first bond deal since 2014, Greece priced a €3bn August 2022 last July at a 4.625% yield that has since rallied to 2.84%, according to Tradeweb.

The sovereign will seek to capitalise on its recent S&P upgrade. The agency raised its rating to B from B- on January 19, citing improved growth and a better fiscal outlook. A further upgrade is on the cards with the agency's positive rating outlook.

While one banker said that a new seven-year would be more expensive than the ultra-cheap loans Greece receives from European creditors, another said it was about creating a more liquid market.

"It makes sense for Greece to want to extend the curve out," he said. "Although … seven years is a long time to be tied up in [Greece's] debt."

BUYING TIME

Greece has been focused on tidying up its outstanding debt over the past year. Following the €3bn five-year last July, it swapped about €30bn in debt through an exchange of 20 small bonds for five new bonds last December.

Yet, despite the progress, Greek debt is still highly speculative - it is rated Caa2 by Moody's and B- by Fitch - and market participants warn that longer-term risks cast a shadow.

"You have to hand it to them - they've made a tremendous fiscal adjustment through draconian belt-tightening," said Juergen Odenius, economic counsellor at PGIM Fixed Income. "But the situation in Greece is they're robbing Peter to pay Paul."

As the IMF looks to withdraw from the country, that leaves European creditors to fill the gap.

With Greece's debt totalling 178% of its economy in 2017, according to S&P data, the country is in discussions with official creditors for debt relief. Talks started last week.

Societe Generale analysts said in a recent report that while short-term funding needs are

---

Sharjah scores Panda first

■ **Emerging Markets** **More Middle Eastern issuers seen visiting market after emirate's print**

BY INA ZHOU, CAROL CHAN

SHARJAH, the third-largest constituent of the United Arab Emirates, last Thursday became the first Middle Eastern issuer to sell Panda bonds, paving the way for more cash-strapped Gulf sovereigns to raise funds in China.

The government of the Emirate of Sharjah, rated A3/BBB+ (Moody's/S&P) internationally and AAA by China's Lianhe Credit Ratings, priced Rmb2bn (US$318m) of three-year Panda bonds at par to yield at 5.80%, in the middle of the 5.40%–6.00% guidance range.

The bonds offered a 103bp premium to China Development Bank's three-year notes, quoted at about 4.77% on the same day. The policy bank is rated Aa3/AA– (Moody's/S&P).

Bankers familiar with the issue said Sharjah could have achieved a lower funding cost if it had sold US dollar bonds, but that gaining access to the renminbi market gave it more financial flexibility.

NEED FOR PREMIUM

"Overall, Chinese onshore bond yields are rising. As a new issuer in the market and an unfamiliar name to onshore investors, giving some premium was a must," said a banker on the deal, without putting a number on the size of the premium.

The banker said final pricing was in line with fair value, as previously estimated by the underwriters.

The issue was launched in the interbank bond market and was also available to offshore investors under the Bond Connect scheme.

Orders were not particular strong, the banker said, declining to provide a figure. About 27% of the bonds were allocated to foreign investors, with a sizeable part handled via Bond Connect.

> Bankers familiar with the issue said Sharjah could have achieved a lower funding cost if it had sold US dollar bonds

Foreign central banks, commercial banks and asset management companies bought into the deal.

The Sharjah offering is part of a rising tide of global bond issues from sovereigns and companies in the Gulf over the past year, as low oil prices have pushed state budgets into deficits and tightened liquidity in the banking systems.

Moody's said in a December report that Sharjah's fiscal strength was constrained by a growing debt burden. It said the emirate had built up debt faster than revenue in the past few years, taking the debt-to-revenue ratio from 142% in 2014 to 203% in 2017.

BOND TOURISM

Issuing renminbi bonds expands Sharjah's funding channels and could also raise its profile in China to promote tourism, a source familiar with the sale said.

"Tourism is one of the pillars of Sharjah's small economy. The issuer did the trade partly for publicity reasons to attract more Chinese tourists," said the source.

covered, over the medium term the debt sustainability issue is not yet resolved.

"[Gross funding needs] would only remain below 15% for a brief period of time and then increase rapidly above 20%, well before the debt-to-GDP ratio is reduced to a more sustainable level," it said.

Market participants said there is hope that policies will improve.

"Sizeable and ultimate debt relief measures are the best way to get rating agencies to substantially upgrade Greece out of sub-investment category," the report added.

If that happens, it could also pave the way for the European Central Bank to become a buyer of Greek debt.

NO ROOM FOR FAILURE

Odenius said that while official creditors are seeking to get Greece to stand on its own, no one wants it to fail.

"As long as no one runs out of the room screaming, [negotiations around debt relief] won't be a market issue. They're buying time to put other policies in place, and eventually there will be elections," he said.

The timing for the new bond appears to have been precisely engineered, coming shortly after the Eurogroup's third review of Greece - which concluded that the country has outperformed fiscal targets over the past three years.

> "As long as no one runs out of the room screaming, [negotiations around debt relief] won't be a market issue"

And Alpha Bank's blowout deal last month proved that there is plenty of appetite for Greek paper.

Alpha Bank raked in orders four times the size of its debut covered bond without any central bank support. It was the last of the four big Greek banks to sell covered debt in recent months. ■

(Additional reporting by Sudip Roy)

According to official data, more than 86,000 Chinese visitors stayed in Sharjah hotels in 2016, up 63% from the previous year.

> About 27% of the bonds were allocated to foreign investors, with a sizeable part handled via Bond Connect

Sharjah's deal was the first sovereign Panda bond issue this year and the fourth sovereign Panda issue after those of South Korea, Poland and Hungary. Hungary printed the last sovereign Panda bonds in July 2017.

Other Middle Eastern countries are reportedly looking to issue renminbi bonds. Reuters said last August that Saudi Arabia was considering partly funding itself in Chinese currency, quoting a senior official from the kingdom.

The banker on the Sharjah trade expected more Mid-Eastern issuers to visit the Panda market in the future.

"Just like after Poland's Panda bond issue, Hungary followed suit and also printed one," he said.

The new notes were the first under Sharjah's Rmb3bn Panda bond programme registered with the National Association of Financial Market Institutional Investors.

The notes were issued in the name of Sharjah Finance Department.

Proceeds will be remitted offshore, converted into dirhams and consolidated into Sharjah's budget, according to the prospectus.

Bank of China was lead underwriter and lead bookrunner on the offering, while *Industrial and Commercial Bank of China* was joint lead underwriter and joint bookrunner.

HSBC (China) and *Standard Chartered (China)* were also joint lead underwriters on the issue. ■

IPO valuations shrink to fit investor demands

■ **Equities** **Deep cuts to get first European float of 2018 away**

BY ROBERT VENES

Confidence in the EMEA IPO pipeline took a knock on Friday, with two of the three floats due to complete this week in intensive care and requiring deep cuts in valuation to stay alive. One of those was Spanish homebuilder METROVACESA, which had been talked up as a macro play on the country and yet failed as investor feedback was ignored.

Metrovacesa was due to complete a €703.8m-€762.45m Madrid float on Thursday, but after radio silence throughout the bookbuild, guidance was cut by more than 10% at the mid-point to €16.50-€17.00 from €18.00-€19.50 late that night. With pricing coming later in the day at €16.50, the deal size dropped to €645m and the market capitalisation to €2.5bn from €2.7bn-€3.0bn previously. All other terms in the all-secondary deal remained the same and trading will begin on Tuesday.

It was not alone in mispricing its float. Turkish hospitals operator MLP SAGLIK HIZMETLERI cut the price range for its Istanbul IPO by more than 25% at the mid-point of guidance, dropping to TL19-TL20 from TL24-TL28.80. The deal size shrinks to TL1.2bn-TL1.3bn (US$319m-$336m) from TL1.5bn-TL1.8bn previously.

The number of shares on offer remained the same but MLP had fixed primary proceeds of TL600m to cut net debt and Turkey's Capital Markets Board does not allow the number of primary shares on offer to be changed. As a result, sellers Turkven, Sancak Group and the Usta and Elbasi families will buy primary shares with some of their proceeds to reach the TL600m target within the revised range.

While it was apparent that the deals were struggling, bankers had been relatively relaxed in the last few days of bookbuilding, believing there were more orders still to come.

Bankers observing the Metrovacesa deal expressed shock at the outcome. "It was a pretty aggressive range, but it's a surprise," said a banker working on one of the other IPOs in the market. "We're not worried about the IPO pipeline at this stage, but it does suggest everyone needs to be a little more disciplined."

> "It does suggest everyone needs to be a little more disciplined"

Some bankers involved in Metrovacesa said they had made it clear early on that the price range was too aggressive. The original price range represented a 1.4%-9.9% premium to net asset value when the clear feedback from investors was they would buy only at a discount, said one banker involved. Another banker agreed and said the seller had dug their heels in.

"On the face of it, the IPO market is not as strong as the secondary market has been, with blocks having gone well," said the second banker. "There is very little early momentum, even though investors are making money, and a lot more caution. It's similar to the less expected or illiquid blocks, which tend to require a heavier discount to get done. Frankly, it's what we saw in the second half of last year as the IPO market got tougher."

Metrovacesa closed on Friday and trades on February 6, while MLP bookbuilding runs until February 6. Providing one bright spot is ENERJISA ENERJI, as the Turkish electricity distributor completed its IPO on Friday without incident (see Equities). ■

Markets confront post-Libor landscape

People & Markets **Eurozone lagging behind other currencies in changing reference rates**

BY CHRISTOPHER SPINK

Financial instruments with a total outstanding notional value of US$370trn are estimated to be exposed to the interbank offered rates, which will have to be moved to alternatives such as Sonia or Sofr, according to international financial markets trade bodies.

The update on the switchover was produced by the International Swaps and Derivatives Association, the Association of Financial Markets in Europe, International Capital Market Association and the Securities Industry and Financial Markets Association.

The joint report said markets will face several key challenges during the transition. Principal among them is the potential lack of liquidity in derivatives markets as the new alternative rate products replace the current regime.

The new products will ideally be overnight bank rates based on real transactions rather than best estimates. However, there are few actual interbank funding transactions such as this at present.

There are also legal difficulties in amending contracts, which would increase costs and operational risk. The switchover could potentially make hedges less effective, requiring subsequent adjustments.

The change will require significant investment in new infrastructure, accounting and regulatory measures to support the move to the new reference rates. The trade bodies said derivatives, loans, floating-rate notes, securitised bonds and deposits could all be affected.

The group said it was planning to survey buyside and sellside firms as well as providers of infrastructure about their concerns and how to support the transition to the new rate benchmarks.

"The task of transitioning … is immense, so the industry needs to start thinking about this now," said ISDA chief executive Scott O'Malia in a statement.

"The next step is to gather feedback from all parts of the market through our global survey to identify all important issues and propose potential solutions for an orderly, efficient and harmonised transition."

Martin Scheck, chief executive of ICMA, said the report was a "first step towards coordinating the transition in such a way as to avoid market fragmentation or disruption".

The changeover was initiated by global regulators in 2012 after scandals involving misdemeanours in the interbank offered rates markets started to emerge.

A report in 2014 by the Financial Stability Board, representing G20 regulators, found liquidity had dried up so much in certain interbank offered rate markets that the rates were no longer sustainable across all tenors of the market. It therefore recommended moving to new alternative rates.

The new rates are Sonia for sterling, Saron for Swiss franc, Sofr for US dollar and Tona for yen.

The eurozone has yet to confirm its replacement for Euribor but a version of Eonia is seen as highly likely.

On Friday the composition of a working group was confirmed by the European Central Bank, European Securities and Markets Authority, the European Commission and the Financial Services and Markets Authority, to identify and recommend a new reference rate and related issues.

The four public institutions will act as observers of the group, which consists of 21 credit institutions, five other non-voting members and another invited institution. It will be chaired by Koos Timmermans, chief financial officer of ING Group, and meet for the first time on February 26 at the ECB. ■

EU eyes new Green standard

People & Markets **Dramatic changes considered to meet carbon emission targets**

BY MERLE CRICHTON

The EU's high-level expert group has presented the financial sector with one of the most tangible strategies in achieving the bloc's climate change targets yet.

"The HLEG is envisaging some major, major changes to the way we operate," said a syndicated banker. "It's going to be absolutely dramatic and I think countries are starting to get that."

In the highly anticipated report published on Wednesday, the HLEG put forward proposals that seek to mobilise private capital to reduce carbon emissions by 40% by 2030.

The HLEG, set up in late 2016, estimates that an additional €170bn in annual investments is needed each year for projects such as renewable energy generation and efficient buildings.

As part of its recommendations, the HLEG suggested the establishment of an official EU Green Bond Standard.

Other proposed measures include an EU taxonomy for sustainable finance - a technically robust classification system to establish market clarity on what is "Green" or "sustainable". This is to start with climate-mitigation, effective from mid-2018.

It also said that capital charges for specialised lending, project financing and mortgage lending would need to be carefully reviewed to prevent curtailment of European bank lending in the areas that are critical for sustainable finance.

HLEG added that the definition of green assets eligible for lower potential capital charges would be set by official public bodies.

There should not be an "unbalancing" of risks in the financial system just because there is now an incentive to engage in projects which contain a "green supporting factor" versus a "brown penalising factor", said the European Banking Federation, which represents the region's main banks.

"It is extraordinarily difficult to create proper definitions that are not at odds with the need for accuracy and purity in risk weights in banking," read the EBF statement.

There is also a risk that the potentially strict format of proposed measures for sustainable finance, such as HLEG's guidelines, will put bankers off.

"In the next couple of years, as we put these regulations into force, we are going to be balancing ensuring a robust Green bond market whilst making sure issuance criteria are not too stringent," said Stephanie Sfakianos, head of sustainable capital markets at BNP Paribas.

Other priorities include a transparent financial system that is accountable to EU citizens, and a "Sustainable Infrastructure Europe" facility to expand the size and quality of the EU sustainable assets pipeline.

The same day HLEG published its report, January 31, saw another milestone in sustainable finance, with KFW selling the largest ever Swedish Kronor-dominated Green bond. ■

IFR AWARDS GALA DINNER

Her Royal Highness The Princess Royal, Patron of Save the Children, and Vice Admiral Sir Tim Laurence attended the IFR Awards dinner at the Grosvenor House Hotel last week. Her Royal Highness presented the Bank of the Year trophy to Viswas Raghavan, chief executive of JP Morgan in EMEA.

The charity tombstone was hosted by Gyles Brandreth and raised over £1m for Save the Children. Guests contributed a further £22,810 taking the total raised for the charity at this event over the years to £26.6m. Comedian and impressionist Rob Brydon hosted the awards – with assistance from Alan Bennett and Sean Connery.

Credit: Save the Children/Matt Crossick

Credit: Save the Children/Matt Crossick

Credit: Save the Children/Matt Crossick

Credit: Save the Children/Matt Crossick

Credit: Save the Children/Matt Crossick

Credit: Save the Children/Matt Crossick

Credit: Save the Children/Matt Crossick

Credit: Save the Children/Matt Crossick

IFR
HSBC

IFR

HSBC
IFR

HSBC
IFR

People & Markets

16 BAML names Chris Munro as co-head of leveraged finance as it reshuffles its financial sponsors unit

18 Bellwether spots UniCredit boss Jean Pierre Mustier taking the bank's mascot, Elkette, on stage to pick up his IFR award

22 Matt Comyn will become CBA's CEO, despite running the retail arm at the heart of a controls scandal

FRONT STORY RESULTS

Deutsche lifts pay despite revenue fall

Bonuses awarded in effort to keep investment bankers

DEUTSCHE BANK's dilemma over how to cut costs in its investment bank without hurting its business was laid bare in the unit's latest results, which showed compensation rose 8% last year despite a 15% tumble in revenues.

A year ago, Deutsche halted bonuses, and as a result compensation fell 18% to €3.96bn, a steeper fall than the 11% drop in corporate and investment bank revenues in the year.

But for 2017, CIB revenues fell to €14.23bn from €16.76bn in 2016, but compensation and benefits went in the opposite direction, rising to €4.26bn.

Its number of staff also rose, despite pledges by chief executive John Cryan to wield the axe. CIB had 41,349 staff at the end of December, or 1,700 more than a year earlier. Some 17,251 of them were costly front-office staff, up 122 during the year.

Cryan said the higher pay bill was partly because fixed salaries had increased for junior staff to make up for scrapping bonuses. But it shows the troubled bank's decline has steepened during the past year, at the same time as pay and staff numbers are rising.

Marcus Schenck, co-head of CIB, also admitted that in certain areas, such as equities in the US, key staff had gone because of the changes in compensation and had to be replaced by new people expecting adequate variable pay.

ME TOO

Cryan also said he wanted to be considered for a bonus by the bank's supervisory board for the first time since becoming co-chief executive in July 2015.

"We promised everyone in the bank we would return to normal allocation of bonuses in 2017," Cryan said. "We have hired lots of people in 2017 and want to invest in them and people who have stuck with us."

Accordingly, the new management of the CIB will this year receive "a one-off investment".

"In the coming year, these kinds of bonus payments will only be justified if the bank performs correspondingly," Cryan said.

Deutsche was hurt by the headwinds seen across the industry, with record low volatility in the second half of last year crimping trading revenues.

Its fourth quarter fixed income trading revenues fell 29% from a year ago to €554m, broadly in line with the 31% drop seen at the major US banks - although they had a far tougher comparison than Deutsche, which had one of its weakest ever quarters at the end of 2016.

UBS's fixed income revenues fell 37%.

Schenck said there were some bright spots, including Deutsche's credit business. "It had a spectacular year in 2017. It's hard to tell them why they should get no variable compensation and it's hard for them to understand why they should not get that," he said.

"Those people could find jobs elsewhere. Competitive compensation is necessary. We don't pay as much in 2017 as others do. We pay more than we did in 2016 but we are still in the lower half compared to peers."

Deutsche fared far worse than rivals in equities, with Q4 revenues down 25% from a year ago to €332m. US banks showed an average fall of 7%, and at UBS revenues improved 1%.

Cryan has earmarked equities, as well as equity capital markets and advisory, as capital-light businesses where it wants to expand. The fruits of this have yet to ripen, however, and Deutsche missed out on a buoyant US ECM market.

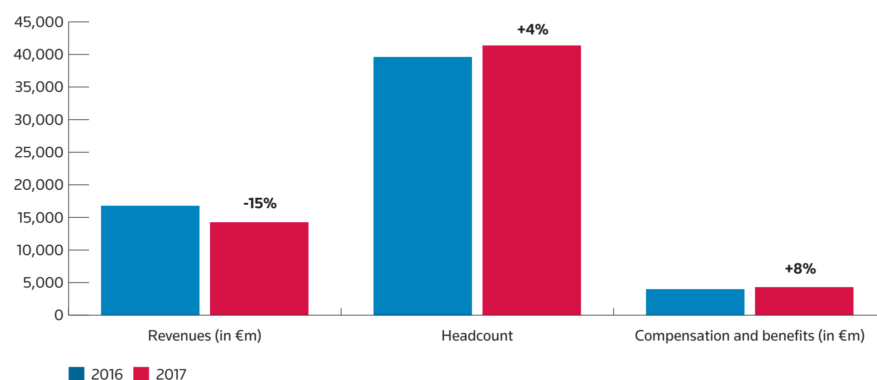
In advisory and debt capital markets revenues were steadier, and Schenck said although the bank had lost market share in some areas, primarily to US peers, its position as a European alternative was appealing.

Analysts remain pessimistic about a quick fix for Deutsche's investment bank. "Revenue attrition continues to outpace cost reduction and we are yet to see evidence of this slowing," said Andrew Coombs, analyst at Citigroup.

Christopher Spink

DEUTSCHE CIB: IT'S ALL GOING THE WRONG WAY

CORPORATE AND INVESTMENT BANK REVENUES FALL, BUT STAFF AND PAY STILL RISE



Source:Bank results

“In every sector, the new tax laws are spurring discussions on capital structure and strategic planning”

LAZARD CEO KENNETH JACOBS, P22

The Canadians are coming . . . slowly

BANK OF MONTREAL CAPITAL MARKETS reached a milestone last year: its revenue from investment banking in the United States topped revenue from Canada for the first time.

It was both a vindication of a strategy to beef up its presence in the US and a signal to push full speed ahead.

“In the last two years as we have begun to scale up in terms of size of fees, size of clients, profitability etc, the bank has realised that there is more opportunity to grow in the US,” said Peter Myers, BMO co-head, global investment and corporate banking.

This month Meyers is relocating to New York, shifting the heart of the US operation from Chicago. It’s another sign the bank is looking to raise its profile in the US.

“As we grow and we are on a growth path now, most of the people we hire will be in New York. It’s part of building the firm culture presence,” Myers said. Having a substantial senior staff presence based in New York will help the culture and speed the build-up.

How big and how fast? The answer resembles more Midwestern modesty than New York braggadocio.

BMO is not alone among Canadian banks in building up south of the border, where activity accounts for almost half of global capital markets revenues.

Canadian firms have increased their market share in US capital markets in the decade following the financial crisis and are showing no signs of slowing down.

In 2008 Canadian banks pulled down US$443.4m in fees for M&A advisory, equity and debt underwriting and syndicated loans, representing about 2.6% of the fee pool. That has steadily risen and hit US$1.76bn last year - or 6.1% of the market.

There were five Canadian banks among the top 20 firms for investment banking fees in the Americas last year, according to Thomson Reuters data.

RBC CAPITAL MARKETS ranked ninth in the Americas with a market share of 3.6% last year, up from 11th spot and a 3.3% share in 2016. BMO Capital Markets moved up to 13th from 14th as its share rose to 2% from 1.6%. In the US alone, BMO’s share was 1.2% last year, up from 0.4% in 2008.

TD SECURITIES ranked 14th last year in the Americas, **SCOTIABANK** was 17th and **CIBC WORLD MARKETS** jumped to 20th from 26th in 2016, Thomson Reuters estimated.

They have taken share from European banks, partly as Deutsche Bank and Credit Suisse have restructured in recent years - and also the big US banks. Since 2008 all the big US banks, except Morgan Stanley, have given up market share, opening the door for rivals from Canada, Asia and boutique firms.

MIDCAP FIGHT

BMO’s growth plans are not really head-on with JP Morgan and Goldman Sachs, however. Or even RBC.

“Rather than leapfrog away to compete with the bulge bracket in their front yard, we want to compete from strength,” Myers said. “We want to compete where we have the DNA.”

Myers said BMO wanted to grow and leverage off Harris Bank, the Chicago-based business it bought in 1984 and has used as its US beachhead. “They have a great lending operation, great sponsor finance operation,” he said.

Despite an effort to get away from being known as a bank that just services middle-market clients, BMO is looking to that core client base for a large part of its growth during the next two years.

Morrison to head BAML financial sponsors

BANK OF AMERICA MERRILL LYNCH named *Kevin Morrison* chairman of global financial sponsors, the business that deals with private equity firms.

Morrison will work in San Francisco. He had been co-head of the bank’s global practice alongside Saba Nazar since 2016, and previously head of Americas financial sponsors since 2013.

BAML tapped *Kevin Sherlock* to replace Morrison as co-head of global financial sponsors with Nazar.

Sherlock joined BAML in 2014 from Deutsche Bank as co-head of leveraged finance capital markets and was named co-head of global leveraged finance in 2016.

Chris Munro will replace Sherlock as co-head of global leveraged finance, working alongside Sarang Gadkari.

Munro will remain in London. He joined BAML in 2015 as head of EMEA leveraged finance and loans.

Banks are building up their financial sponsor teams to win business from private

Who’s moving where…

NOMURA has hired *Charles Wang* as chairman of China investment banking. Based in Hong Kong, Wang reports to Kenji Teshima, head of investment banking for Asia ex-Japan. Wang was most recently executive director and vice-chairman of BEP International Holdings. He has worked at ICBC International, Deutsche Bank, Zhong De Securities and Merrill Lynch.

Daniel Louis has been named head of strategy at **NATIXIS**, in charge of coordinating corporate M&A for the French bank as well its latest strategic plan, unveiled in November. He will report to chief financial officer Nicola Namias. Louis is currently head of financial management and tax. He joined the bank in 2012 from Societe Generale, where he was deputy chief financial officer of its corporate and investment bank.

Myers estimated BMO has about 1.75% of the midcap fee pool. The goal is to get that to 3% in the next three years, he said.

"We don't want to be constrained by that term middle market. We don't want our clients thinking BMO is a midcap firm. We can and will grow with our clients," Myers said.

BMO has been able to hang on to Broadcom as a client as the company grew and accessed other global banks. BMO was among a lending syndicate backing the bank's acquisition of Brocade in 2016. BMO also advised Spectra Energy on its US$28bn purchase by Canada's Enbridge.

That's the reputation BMO hopes to build, as a bank that can take clients that are private and mid-sized and help them grow - and continue to bank them.

Patrick Cronin, CEO and group head of BMO Capital Markets, said there are plenty of European banks, mid-tier firms and boutiques with a 0.5% to 1.5% market share in the US.

Much of that could be up for grabs as firms retrench or restructure to boost returns, Cronin said, adding that BMO's strong capital, lower-cost funding and expanded coverage left it well placed to take advantage.

Philip Scipio

equity firms such as Blackstone, KKR and The Carlyle Group.

Financial sponsor fees across the industry hit US$12.2bn last year, up 24% from 2016, according to data from Thomson Reuters.

BAML ranked fourth for fees, up from fifth in 2016. It brought in US$734m in financial sponsor fees, up 42% on the year, the data showed. Goldman Sachs tops the rankings with fees of US$1.1bn last year.

Philip Scipio

JP Morgan promotes pair as Dimon signs on for five more years

JP MORGAN named *Daniel Pinto* and *Gordon Smith* co-presidents, setting up a clear line of succession for current chief executive Jamie Dimon - but maybe not until at least 2023.

Pinto and Gordon have also been named co-chief operating officers replacing Matt Zames, who left the bank in June.

At the same time, however, Dimon signalled he had no intention of going anywhere soon and said he plans to stay for another five years, repeating guidance he has given in recent years.

That has been too coy a ploy for many potential successors to stick around. Zames was the latest in a line of potential successors to exit the bank, rather than wait.

The list also includes Jes Staley, who now runs Barclays, and Mike Cavanagh, who left JP Morgan to join private equity shop The Carlyle Group and later joined Comcast.

"The board and I have agreed that I will continue in my current role for approximately five more years," Dimon said in a memo announcing the promotions for Pinto and Smith. "The promotions reflect the enormous contributions that Gordon and Daniel have made to the continuing success of our company.

Dimon has run JP Morgan for a dozen years. Last week's statement dampened speculation he could consider a run for US president in 2020, but did not completely killed the chatter.

Dimon said having Pinto and Smith as co-presidents and co-COOs demonstrates the strength of JP Morgan's bench and formally recognises the roles they play.

Pinto, 55, is chief executive of JP Morgan's corporate and investment bank. He is a member of the bank's operating committee, and has spent his 35-year career at JP Morgan Chase, running CIB for the past five years.

Smith, 59, is CEO of consumer and community banking at Chase. He is also a member of the bank's operating committee and joined Chase in 2007 from American Express.

In five years Dimon will be nearly 67. Based solely on age, Pinto looks to have an edge in the succession race, but JP Morgan could become the first major US bank to name a woman chief executive.

"The board and Dimon both believe that under all timing scenarios … the company has several highly capable successors in place"

Chief financial officer Marianne Lake, 48, is always mentioned as a possible successor. So too is Mary Erdoes, 50, CEO of asset and wealth management. The pair, along with Doug Petno, 52, CEO of the JP Morgan's commercial bank, split the duties of COO after Zames retired.

"The board and Dimon both believe that under all timing scenarios, whether today or in the future, the company has several highly capable successors in place," the bank said.

"Many of the company's top leaders have taken on firm-wide responsibilities in addition to their specific mandates and have demonstrated their ability to manage at the highest level."

Philip Scipio

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

Charlie Nunn has been promoted to chief executive of **HSBC**'s retail banking and wealth management business, filling the position left vacant by the elevation of John Flint to group CEO. Flint takes over from Stuart Gulliver on February 21. Nunn joined HSBC in 2011 and has been acting head of the retail banking and wealth management business and previously had senior roles in retail and wealth. He joined HSBC from McKinsey after starting his career at Accenture.

Eva Zhong, head of convertible bonds origination for Asia-Pacific at **CREDIT SUISSE**, is leaving the bank, according to sources. They said Zhong would be joining another bank. Zhong assumed leadership of the convertible bond origination business in August after Jim McDonnell retired as head of equity-linked origination for Asia-Pacific. Zhong leaves at a time when equity-linked issuance in the region has picked up significantly, with Asia-Pacific issuance in January almost matching the total for 2017.

Bellwether

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

WHEN JP MORGAN'S hard-charging CEO for EMEA Viswas Raghavan stepped up to collect the IFR Bank of the Year award, his acceptance speech was devoid of the usual triumphalism that used to mark these sort of achievements.

Rather than waving the award and crowing about the bank's success, Vis was at pains to point out that far from being adversaries, the assembled throng were in fact "partners", who all do deals "together". Was this evidence of a new dawn in touchy-feely banking? Is Vis going soft? Does that mean he was about to start sharing out some of those bookrunner and M&A mandates to his competitors in 2018?

Any hopes of that were dashed when just before leaving the stage, Vis asked that the bank, which generously donated half of the total raised at Tuesday's dinner for Save The Children, be installed as sole global coordinator, rather than simply lead bookrunner at the top of the virtual tombstone.

IF YOU'RE LOOKING for peak cuddly in investment banking, then look no further than UniCredit's lucky mascot and uber-schmoozer Elkette, which was among the guests at the IFR awards. Seated at the top table with the bank's CEO Jean Pierre Mustier, the most photographed soft moose looked as at ease as a fluffy trinket could be as it rubbed shoulders with Her Royal Highness The Princess Royal – and some bankers.

With UniCredit winning an award for its restructuring, Elkette was living the dream. It hasn't always had such a warm welcome, however. Bellwether overheard a story about when Mustier, shortly after becoming CEO, tried to order 2,000 replica Elkettes from a factory in Sweden for €2 each. When the factory discovered the customer was a pre-rights issue UniCredit, it insisted on cash up-front.

OH TO HAVE been a fly on the wall in HSBC's corporate finance department when Blackstone's partnership with Thomson Reuters was announced. Former deal-makers James Simpson and Matteo Canonaco founded boutique Canson Capital Partners last year after leaving HSBC and advised Blackstone on the US$17bn deal – a role that will land it a share of the US$20m in fees.

"Very proud to announce Canson Capital Partners' lead advisory role in Blackstone's Partnership with Thomson Reuters," said Simpson on his LinkedIn account. Proud indeed. And given that Simpson left as HSBC's European head of M&A after a reshuffle left him sharing management duties with a colleague, he's well within his rights to be.

DEUTSCHE BANK HAS posted an animated justification for the industry's continuing existence on its website. Entitled "Why Banks matter", Deutsche points out that banks solve global problems, which is a very strong argument in their favour.

It then adds that "Without banks, the economy would collapse". It's as if the global economic collapse of 2008–09, which came about because of the banking crisis, never happened. Cynics might say the campaign, which came ahead of Deutsche reporting a full-year loss on Friday, might be a case of the German lender getting its retaliation in first. Perhaps next up will be "Why John Cryan should remain CEO". ■

Who's moving where…

■ **MOELIS** hired *Nate Stulman* away from Greenhill to provide advice to financial, commerce and technology companies on lending, payments and financial technology. He will join the firm in March and work out of New York. At Greenhill, Stulman was most recently co-head of fintech. He has nearly 15 years of investment banking experience advising banks, credit card issuers, speciality finance companies, and commerce and technology companies.

■ **ICBC STANDARD BANK** has appointed *Tim Wilson* as head of base metals, replacing Steve Reece, who will step down but stay with the firm until March. Wilson joins from Hannam & Partners and previously worked at Standard Chartered and JP Morgan.

■ **HOULIHAN LOKEY** has appointed *Jim McKnight* to lead financial restructuring in Australia. Since 2013 he has been head of restructuring at Fort Street Advisers. Before that he was head of Asia-Pacific restructuring at UBS and head of debt advisory for Australia.

■ **EATON VANCE MANAGEMENT** is hiring a five-person global fixed-income team to bolster its global income group. Team leader *Astrid Vogler*, who previously led the team at Oechsle International Advisors, will be lead portfolio manager. At Oechsle, Vogler was head of fixed income for 27 years. The team currently advises about US$830m and will remain in Frankfurt.

Antonio Weiss takes league table by storm

Former Lazard deal maker *Antonio Weiss* borrowed a page out of Paul Taubman's playbook and parlayed a one-off M&A advisory assignment into major league table credit.

Although just a month into the year, Weiss' company **AFW** is 12th on the worldwide M&A league table after advising Keurig Green Mountain on its US$18.7bn cash offer to buy Dr Pepper Snapple Group. Keurig is owned by Luxembourg-based JAB Holding.

Goldman Sachs was lead financial adviser to Keurig along with AFW, BDT, JP Morgan and Bank of America Merrill Lynch. Credit Suisse was financial adviser to Dr Pepper Snapple.

Freeman Consulting estimated buy-side fees for bankers advising Keurig should total between US$35m and US$45m, with the bulk going to Goldman as the lead advisor. Fees on the sell side could be between US$50m and US$60m.

Weiss, a long time Lazard M&A banker, has laid low since his last job advising the US Treasury Department under the Obama administration.

Weiss joined Lazard in 1994 and worked in New York and Paris, rising to become global head of investment banking. His work there included advising Reynolds American on a US$26.5bn purchase of Lorillard, and InBev on its US$52bn takeover of Anheuser-Busch in 2008.

He is currently a senior fellow at the Mossavar-Rahmani Center for Business and Government at the Harvard Kennedy School.

It's not clear if his assignment for Keurig provides clues about what's next for Weiss.

In 2013 Paul Taubman advised Verizon as a free agent on its US$130bn acquisition of its US joint venture with Vodafone after leaving Morgan Stanley.

That single deal, based on his strong ties to Verizon, put Taubman on the M&A league table in 2013. It also marked the beginning of the PJT investment banking group, which was later merged with Blackstone restructuring shop. Currently PJT is five spaces behind AFW. Byron Trott's merchant bank BDT Capital Partners is also currently ranked 12th for its work on the Keurig deal.

Given the size of the Keurig/Dr Pepper deal, AFW will likely remain in the top 25 rankings for 2018 even if it doesn't work on another deal.

Philip Scipio

Brexit, recession and bonds shock for EU stress test

Europe's banks will face their toughest "stress test" yet this year, including the impact of a hard Brexit, an economic slump and a shock to bond and equity markets, the EU's banking watchdog said last week.

Banks are put through the test every two years to see how they could cope, and the European Banking Authority said the 2018 health check will be more severe than past efforts.

There will be no pass or fail mark for the 48 banks taking part, but the outcome will shape capital requirements policed by regulators like the European Central Bank, which supervises 33 of them.

The EBA said results would be released by November 2.

The scenarios – devised by the EBA and the European Systemic Risk Board – include an 8.3% cumulative fall in growth by 2020 from the baseline scenario based on real central bank forecasts.

Under the ESRB's test scenario, inflation falls 1.9%, unemployment jumps by 3.3% and home prices tumble on aggregate by about 19%, all by 2020.

There will be a shock to bond yields and equity prices in financial markets under the scenario, including a 41% slump in equity prices in the United States and a 30% fall from the baseline for European equities.

In bond markets, yields on long-term US Treasuries are assumed to rise sharply, deviating by 235bp from the baseline in 2018.

That spills over to European fixed-income instruments and sovereign credit spreads in EU countries widen, especially in countries where there are concerns about debt levels.

Overall, long-term interest rates in the EU would be higher by 83bp in 2018, 85bp in 2019 and 80bp in 2020. In Italy, the test assumes rates are 121bp above baseline in 2018, while in Greece rates are 131bp above but in Germany they are only 62bp above.

For the first time, the EU test will reflect new IFRS 9 accounting standards that force banks to make up front provisions on loans in case they turn sour.

The test also looks at how banks cope with political uncertainty that could theoretically be triggered by Britain leaving the EU in March 2019. "The adverse scenario encompasses a wide range of macroeconomic risks that could be associated with Brexit," the ESRB said.

Steve Slater, Huw Jones

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

■ Former Avista Advisory Group managing director *Amit Gulati* is launching his own Singapore-based boutique advisory firm, **AUCTUS GROWTH CAPITAL**. The firm will focus on structured debt financing and restructuring, primarily in south-east Asia and India. Gulati has yet to hire staff for his venture. He was head of the south-east Asia investment banking advisory team at Avista. He had previously also been with DBS Bank, GE Capital and Standard Chartered.

■ *Arnould Fremy* is rejoining **UBS** as a managing director in its industrials group after seven years at Nomura. He will be responsible for GIG's transportation and logistics activities in EMEA, industries that he also covered at Nomura. Fremy was previously with UBS for 11 years.

■ **NOMURA** has hired *Charlie McElligott* as managing director and cross asset strategist for the financial services group's global markets business. McElligott joins Nomura from RBC Capital Markets, where he was most recently head of US cross-asset macro strategy.

■ **KKR** appointed *Jacques Veyrat* as a senior adviser to support its activities in France. Veyrat manages his own investment company called Impala SAS, which has about €1bn in net asset value. Before founding Impala in 2011, Veyrat was CEO of Louis Dreyfus.

■ Eurobank's chief economist *Platon Monokroussos* is leaving to join hedge fund **BREVAN HOWARD**, sources said. Monokroussos worked at Eurobank for 18 years. He will target investments in commercial real estate and listed equities via two new funds.

“Those people could find jobs elsewhere. Competitive compensation is necessary”

DEUTSCHE BANK CIB CO-HEAD MARCUS SCHENCK AFTER INCREASING BONUSES, P15

Capital markets week ahead: **Thomson Reuters, Dermapharm, Greece**

TERMINAL BUILDING Banks will begin jostling to be part of the financing package being lined up to fund Blackstone’s purchase of a controlling stake in Thomson Reuters’ financial terminals and data business. At US$14bn, it is the largest leveraged buyout loan financing since 2013, when ketchup maker HJ Heinz raised US$14.1bn to back its buyout by Warren Buffett’s Berkshire Hathaway and 3G Capital.

Although large, competition to be part of the deal is expected to be intense – many banks are saturated with liquidity, while investors are eager to lend to new buyouts. Around 10 lenders could make the grade. Thomson Reuters, which owns IFR, will use a big chunk of the proceeds from the sale to buy back shares, and use the rest to pay down debt and invest in its legal, tax and accounting businesses.

JUST THE MEDICINE Germany sees its first IPO of the year on Thursday, with pharmaceutical firm Dermapharm hoping to raise about €350m. The deal will allow founder Wilhelm Beier and his family to sell almost 8m shares – equivalent to about a fifth of the company – while additional funds are being raised to improve production facilities. It’s the first of a series of sizeable IPOs expected out of the country this year.

PIPE DREAM? Undaunted by the threat of US sanctions on his homeland and its oligarchs, Russian billionaire Dmitry Pumpyanskiy is pushing ahead with a New York IPO of his US pipe and tube-making business IPSCO Tubulars. The deal, which is set to price on Thursday, is set to raise US$535m. Investors will need to be comfortable with a minority stake – Pumpyanskiy will still own 60% of the business even after the IPO.

GREECE-PROOF PAPER Athens faces a challenge in bond markets this week, as it looks to syndicate a seven-year transaction, its longest trade since it returned from market exile last year. Greece is due to exit its bailout in August, and has been eager to prove that it can stand on its own two feet. Access to new money in the seven-year part of the curve will be its boldest move yet.

WORKING THE WEEKEND All eyes will be on Algeco Scotsman to see whether it pulls the trigger on a €1.4bn bond sale. The UK maker of prefabricated building modules had been expected to wrap up a roadshow last Friday, but decided to extend it over the weekend. It is raising debt alongside an equity raise, as it seeks to get its finances in order following a series of downgrades last year due to debt worries.

IN FULL RIG Norwegian drilling rig company Seadrill is set to appear in a Texas court on Wedneday for an initial hearing on its restructuring plan. Once the largest drilling rig operator by market value, Seadrill filed for bankruptcy protection in September after being hit hard by cutbacks in oil company investment following a steep drop in crude prices.

CHINESE WHISPERS Huami, which makes fitness trackers for smartphone maker Xiaomi, is set to become the first Chinese listing in the US this year with its US$120m IPO on Wedneday. Founded in 2014 and headquartered in Beijing, it makes wearable devices under the Mi brand. The deal comes ahead of Xiaomi’s own IPO later this year, which is expected to be the world’s biggest tech float in 2018.

WELL, WELL, WELL Oilfield services company Cactus is eyeing proceeds of over US$400m from its New York IPO on Wednesday. Funds from the all-primary deal will be used to pay down debt and for general business purposes. Cactus designs, manufactures, sells and rents wellheads and pressure control equipment principally for onshore oil and gas drillers.

GREEN SUKUK Indonesia is expected out with US dollar sukuk, which will include a Green portion. The sovereign has appointed Abu Dhabi Islamic Bank, CIMB, Citigroup, Dubai Islamic Bank and HSBC for the offering. It held meetings with fixed-income investors in Asia, Europe and the Middle East at the end of January for the proposed notes, which are expected to have maturities of five and 10 years.

CLOSE QUARTERS It’s a busy week for European bank results, with BNP Paribas, Societe Generale, Commerzbank and UniCredit all set to report fourth-quarter numbers. The releases come after Deutsche Bank shares sank last Friday following worse-than-expected results. Italian bank Intesa Sanpaolo also releases earnings on Monday, alongside a new five-year business plan.

LAST WEEK IN NUMBERS

2.8% – Yield on 10-year Treasuries on Friday, the highest in almost four years

US$6.15bn – Investment banking fees earned by banks in January, with Goldman Sachs top

50% – Expected haircut for bondholders under Noble Group’s proposed restructuring

US$1.4trn – Size of credit default market threatened by a legal spat involving hedge fund Solus

Eurex scraps Singapore plan

EUREX has scrapped plans for a derivatives clearing and exchange hub in Singapore. Instead, it intends to extend its trading hours in Europe to capture more business from Asian investors.

The Deutsche Boerse subsidiary received Monetary Authority of Singapore approval in 2015 to operate as a clearing hub, but had repeatedly pushed back the start date.

The derivatives exchange also applied for a MAS licence to operate as an exchange, though it dropped the plans after rethinking its priorities.

Eurex deputy CEO Michael Peters told IFR the proposed merger between Deutsche Boerse and the London Stock Exchange, which fell apart after EU regulators blocked it, had delayed the launch of the Singapore-based exchange.

He said the migration of Eurex's clearing systems for derivatives and securities in May 2016 to the company's C7 clearing system had prompted a rethink, since this allowed the exchange operator to extend trading hours in Frankfurt.

"We received a clearing licence from MAS in the summer of 2015 and were preparing to receive a licence to operate as an exchange," he said. "But the proposed merger between Deutsche Boerse and the London Stock Exchange led to a change in priorities.

"Following the end of the project, we looked at our strategic priorities. One of the outcomes was that we no longer needed two Singapore entities since our new infrastructure could deliver the same solutions for our clients."

Peters said Eurex planned to extend trading to 21 hours from 14 hours sometime in this year's fourth quarter to accommodate Asian investors.

Eurex planned to launch a number of contracts targeting Asian investors, including German government bond futures and contracts linked to various MSCI indices, although Peters said these would be available to Asian investors through Frankfurt.

He said the outcome was more straightforward for investors in the region.

"It's important to remember that our members would have had to apply separately for clearing and trading membership to these two entities and build up the necessary infrastructure. It would have led to additional cost burdens, which is no longer the case," Peters said.

Eurex's decision comes as a number of derivatives exchanges struggle to gain a foothold in Singapore. Intercontinental Exchange launched a trading and clearing platform in November 2015, but has attracted only four members so far.

Thomas Blott

Nomura profit up despite FICC pain

NOMURA HOLDINGS reported a 26% surge in pre-tax profit for its latest financial quarter, although that belied a stuttering showing in its wholesale division.

Japan's largest investment bank and brokerage firm said pre-tax profit for the third quarter from October to December at its wholesale division, which includes global markets and investment banking, tumbled more than two-thirds to ¥14bn (US$127m) and was a significant drag on its international arm.

Pre-tax profit for its international business fell 95% to ¥1.7bn, though it remained in the black after last year booking its first annual overseas profit for seven years.

The bank recorded an unrealised loss of ¥14bn relating to a single margin loan, which weighed on its international results. The loss was linked to South African retailer Steinhoff, a source told IFR. It was similar to losses taken by other international banks to the troubled firm.

The company, which owns more than 40 brands including Poundland in Britain, admitted "accounting irregularities" last month, sparking an 85% share price slide that wiped more than US$10bn off its market capitalisation.

Nomura bought Lehman Brothers' equities and investment banking business in Europe and Asia in 2008 as it sought to grow its business overseas, though for several years the integration struggled.

It made deep cuts in 2016 to its international business, shuttering most of its equities and equity capital market underwriting businesses in Europe and slashing headcount in Asia.

The bank has been vocal about expanding in the US, however. Last week it said it had hired 15 senior staff in its IB business in the Americas over the past year, including for M&A and leveraged finance.

Its US expansion could include acquisitions, as well as organic growth or picking up teams, people familiar with the matter have said, though competing with the US banks will be tough.

Nomura took a hit from the same difficulties in fixed income, currencies and commodities trading as its US peers in the third quarter, amid a lack of client activity or due to market volatility.

Its Q3 revenue from fixed income was down 32% year on year at ¥79.4bn, although activity picked up after the US Federal Reserve raised interest rates in mid-December.

Its equities revenue rose 9% to ¥60.8bn, following a decent quarter in cash and derivatives.

IB revenue grew 5% to ¥25.5bn as a result of buoyant equity markets and an increase in M&A mandates.

The bank's earnings had support from the performance of its dominant retail business and gains in asset management, and group pre-tax profit for the third quarter was ¥121bn (US$1.1bn), up from ¥96bn a year earlier.

Thomas Blott

Japan megabanks aided by stockmarket rally

A steadily improving Japanese economy and a stockmarket rally helped to counter the impact of low interest rates on two of the country's major banks, boosting their bottom lines in the third quarter.

SUMITOMO MITSUI FINANCIAL GROUP, Japan's second-largest bank by market valuation, and **MIZUHO FINANCIAL GROUP**, the third-largest lender, both reported hefty gains in their stock portfolios last week.

Net profit at SMFG rose 23% to ¥227.9bn (US$2.1bn) in the quarter ended in December.

SMFG's gains from its stock portfolio more than doubled in the nine months, as Japanese banks actively reduced holdings of their corporate clients' shares, originally purchased to cement business ties, a practice criticised as exposing the banks to market swings.

MUFG, the country's top lender, posted the most disappointing earnings of the big banks as low interest rates dragged its third-quarter profit down 20% to ¥236.5bn.

MUFG and its peers have been trying to offset weak domestic lending with accelerated build-ups in their overseas businesses.

Taiga Uranaka

“The adverse scenario encompasses a wide range of macroeconomic risks that could be associated with Brexit”

THE EUROPEAN SYSTEMIC RISK BOARD ON THIS YEAR’S BANK STRESS TEST, P19

Lazard sees M&A heating up in Europe

LAZARD saw its fourth quarter revenue from M&A advisory slip 17% to US$335m compared with last year as the pace of deal flow slowed. Still, revenue for 2017 rose 7% from the year before to US$1.4bn.

“We gained market share in global M&A announcements, our volume increased 3% while the market decreased 4%,” said Lazard chief executive Kenneth Jacobs. “Our M&A activity was strong in Europe, where economic growth is driving increased confidence among decision-makers.”

Jacobs said the year is off to a great start.

“The current global macroeconomic environment continues to strengthen with synchronized growth across the world’s major economies, the US economy remains healthy and tax reform has boosted earnings expectations,” Jacobs told analysts. “In every sector, the new tax laws are spurring discussions on capital structure and strategic planning.”

FRANCE UNLEASHED

In Europe, an improving economy is raising growth forecasts, driving increased confidence in M&A activity, Jacobs said. He is particularly bullish on France.

“I think France is about as ebullient an environment as I can remember, really since the early ’90s,” Jacobs said. “It really looks to us like more investment dollars are going into France. There is tremendous human capital in France that’s being unleashed.”

Rival boutique advisory firm **EVERCORE** reported fourth quarter advisory revenues of US$374.8m, up 8% from the year ago period and better than analysts were expecting. For the year, advisory fees rose 21% to US$1.3bn.

“Fourth quarter strength was pretty much across-the-board,” said Evercore CEO Ralph Schlosstein. Evercore includes restructuring revenue in its overall advisory revenue, which could skew performance in any given quarter if restructuring is stronger than expected.

Pushed by analysts during the earnings call, Schlosstein would only say restructuring had a decent quarter.

Lazard, the only independent firm to break out restructuring revenue, reported revenue of US$33m for the segment in the fourth quarter.

Philip Scipio

Despite scandal, CBA picks internal man for CEO

COMMONWEALTH BANK OF AUSTRALIA has handed the CEO role to retail banking chief *Matt Comyn* in a move that surprised observers, but drew praise from most.

Comyn, 42, will take over the reins on April 9 from Ian Narev, who announced in August that he would be standing down after the biggest scandal to hit the Australian banking sector in years.

Analysts and investors expected CBA to turn to an outsider, as a symbolic gesture to turn the page on the crisis that hit the bank last year over allegations of money-laundering.

CBA chairman Catherine Livingstone said last week the board had looked for a candidate with the ability to “restore the bank’s reputation in areas where trust has been damaged” and “renew and cultivate the right culture”.

As the head of the retail unit, where the lapses in controls occurred, Comyn was a counter-intuitive choice, but Livingstone insisted he was the right man for the job.

“There are aspects of the bank and its culture that we absolutely want to preserve and nurture and Matt is very well aware of those, as he is equally aware of the issues which have led to our current reputational issues,” Livingstone said.

Last year, Australia’s financial crime agency Austrac initiated civil penalty proceedings against CBA in federal court for alleged breaches of anti-money laundering and counter-terrorism financing legislation.

Austrac alleges that, from 2012 to 2015, CBA oversaw tens of thousands of illicit transfers, amounting to A$624.7m, including some involving known criminal gangs.

CBA has blamed a coding error for most of the alleged breaches, although it is contesting some of the other charges.

The scandal triggered a flood of resignations, including Narev’s, and the scrapping of bonuses for senior executives, and laid the groundwork for a Royal Commission, which will look at the conduct of financial services firms.

RIGHT MAN FOR JOB

Comyn’s appointment surprised analysts and investors, although most agreed that he was the best person for the position.

“Comyn is very capable and a high-quality candidate,” said Omkar Joshi, portfolio manager at Regal Funds Management, a CBA shareholder. “During any other time, he would have got the job without question. The only reason we’re having this conversation is because of what’s happened with Austrac.”

Daniel Mueller, portfolio manager at Vertium Asset Management, said CBA was right to opt for an internal appointment.

“My initial reaction was that it was a surprise given that Narev effectively fell on his sword and his direct report from the division that was responsible for the scandal is now his successor,” he said.

“CBA has a history of picking its CEO internally, though, and it’s the best-performing bank among the big four. Whenever other Australian banks have looked externally, it usually hasn’t worked out.”

Comyn joined CBA in 1999 and held a number of senior positions before leaving in 2010 to head Morgan Stanley’s wealth business in Australia.

He returned after less than a year to lead CBA’s local business banking unit and was appointed CEO of its retail division in 2012.

The Australian Prudential Regulation Authority released a progress report into its own inquiry into the alleged money-laundering breaches at CBA, but said it would reserve its observations on governance, culture and accountability for its final report, due by the end of April.

Thomas Blott

DCM helps Goldman take early fees lead

GLOBAL INVESTMENT BANKING FEES

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Goldman Sachs	173	518.7	8.4
2	JP Morgan	238	465.0	7.6
3	Morgan Stanley	213	353.5	5.7
4	BAML	234	348.7	5.7
5	Citigroup	249	290.3	4.7
6	Credit Suisse	142	262.4	4.3
7	Barclays	193	242.3	3.9
8	UBS	110	200.2	3.3
9	RBC CM	130	171.0	2.8
10	Deutsche Bank	152	169.0	2.7
11	Wells Fargo	166	129.0	2.1
12	BNP Paribas	125	117.5	1.9
13	HSBC	187	108.5	1.8
14	Jefferies	47	72.2	1.2
15	Citic	150	68.6	1.1
16	SG CIB	70	67.3	1.1
17	Nomura	151	63.3	1.0
18	Mizuho Financial	171	61.6	1.0
19	Credit Agricole CIB	81	60.3	1.0
20	CIBC	40	57.2	0.9
	Total	**2,905**	**6,150.2**	

GOLDMAN SACHS has taken an early lead in 2018 for fees from M&A advisory, capital markets underwriting and syndicated lending after being one of only a few banks to enjoy a better January than a year ago.

Fees across the industry in January totalled US$6.15bn, down 20% from a year ago, according to data from Thomson Reuters.

Goldman was the leading bank for underwriting both equities and, unusually, bonds at the start of the year. It worked on 104 DCM issues, bringing in fees of US$169m for a market share of 6.9%, ahead of **CITIGROUP** with a 6% share.

It reflects a push by Goldman to beef up its debt advisory offering in the past four years. The bank had underperformed in the area, but set about improving that as it saw providing debt advice as becoming more strategic and integral to M&A transactions and advisory work. It has particularly targeted acquisition finance and committed more capital for clients.

Goldman brought in more DCM revenues in the fourth quarter than all its rivals for the first time since the financial crisis, and perhaps ever. The larger commercial banks normally lead in DCM, helped by the ability to use large balance sheets.

Goldman was well ahead in fees for ECM in January after bringing in US$207.6m for a global market share of 14.1%.

Its fees across M&A, DCM, ECM and syndicated loans were US$518.7m in January for a market share of 8.4%, the Thomson Reuters data showed.

JP MORGAN, which topped the fee rankings for 2017, slipped to second in January, with fees of US$465m and a market share of 7.6%. **MORGAN STANLEY** ranked third and **BANK OF AMERICA MERRILL LYNCH** and Citigroup kept US banks in the top five spots, as usual.

CREDIT SUISSE ranked sixth and **BARCLAYS** was seventh, and the British bank topped fees from the Europe, Middle East and Africa region. **DEUTSCHE BANK** slipped to 10th in the global rankings for the month, with fees down 33% from a year earlier.

Steve Slater

AMERICAS INVESTMENT BANKING

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Goldman Sachs	96	312.0	10.1
2	JP Morgan	153	298.9	9.6
3	BAML	162	269.3	8.7
4	Morgan Stanley	97	244.3	7.9
5	Citigroup	134	164.3	5.3
6	RBC CM	91	143.2	4.6
7	Credit Suisse	64	133.5	4.3
8	Barclays	118	130.7	4.2
9	Wells Fargo	157	122.1	3.9
10	Deutsche Bank	69	77.8	2.5
	Total	**1,157**	**3,102.6**	

ASIA-PACIFIC & JAPAN INVESTMENT BANKING

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Goldman Sachs	38	108.4	7.7
2	JP Morgan	23	82.1	5.8
3	UBS	33	77.4	5.5
4	Citic	149	61.1	4.3
5	Citigroup	45	60.3	4.3
6	Morgan Stanley	79	54.2	3.8
7	Credit Suisse	29	48.2	3.4
8	BAML	34	43.7	3.1
9	Nomura	70	35.1	2.5
10	Sumitomo Mitsui	77	32.8	2.3
	Total	**1,152**	**1,408.6**	

EMEA INVESTMENT BANKING

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Barclays	54	107.6	6.6
2	Goldman Sachs	40	98.4	6.0
3	JP Morgan	62	83.9	5.1
4	Credit Suisse	49	80.6	4.9
5	UBS	43	74.4	4.5
6	BNP Paribas	61	73.5	4.5
7	Citigroup	70	65.7	4.0
8	Deutsche Bank	63	65.3	4.0
9	Morgan Stanley	37	55.1	3.4
10	HSBC	67	51.3	3.1
	Total	**621**	**1,639.0**	

GLOBAL BONDS

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Goldman Sachs	104	169.0	6.9
2	Citigroup	192	146.2	6.0
3	JP Morgan	155	134.9	5.5
4	Deutsche Bank	117	113.2	4.6
5	BAML	148	110.8	4.5
6	Morgan Stanley	155	109.8	4.5
7	Barclays	150	105.6	4.3
8	Credit Suisse	94	89.2	3.6
9	HSBC	162	84.0	3.4
10	BNP Paribas	92	77.6	3.2
	Total	**1,904**	**2,443.5**	

GLOBAL EQUITIES

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Goldman Sachs	33	207.6	14.1
2	Morgan Stanley	32	133.4	9.1
3	BAML	27	102.6	7.0
4	JP Morgan	30	86.0	5.8
5	RBC CM	16	61.3	4.2
6	UBS	19	60.7	4.1
7	Citigroup	19	58.4	4.0
8	Credit Suisse	14	48.7	3.3
9	Barclays	14	45.1	3.1
10	Citic	4	35.0	2.4
	Total	**348**	**1,471.3**	

GLOBAL LOANS

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	JP Morgan	39	83.9	12.2
2	BAML	48	51.1	7.4
3	Citigroup	30	35.6	5.2
4	Credit Suisse	22	34.1	4.9
5	Goldman Sachs	20	25.8	3.8
6	RBC CM	17	25.6	3.7
7	BBVA	8	21.9	3.2
8	Barclays	22	21.4	3.1
9	Deutsche Bank	18	20.5	3.0
10	Morgan Stanley	17	19.9	2.9
	Total	**266**	**688.5**	

1/1/2018 to 31/1/2018
Source: Thomson Reuters

“It would have led to additional cost burdens, which is no longer the case”

EUREX DEPUTY CEO MICHAEL PETERS AFTER SCRAPPING PLANS FOR A HUB IN SINGAPORE, P21

Delays seen at Seadrill restructuring

Wrangling between bondholders of Norwegian oil drilling rig company SEADRILL, its major shareholder John Fredriksen and potential investor Centerbridge is likely to delay confirmation of the company's plan to exit Chapter 11 when it comes before a US court on February 7.

One adviser involved in the restructuring said the preliminary hearing was "a significant milestone but not a definitive one". Seadrill first put out a plan to restructure its debts of over US$8bn shortly after it filed for bankruptcy protection last September.

Over 97% of the most senior creditors, holding secured loans with a face value of US$5.7bn, have agreed to back the proposal, which would see unsecured bondholders converted into equity and Fredriksen put in US$1bn of new money for equity alongside US fund Centerbridge.

But only about 40% of bondholders by value had pledged their support initially and, despite efforts to persuade them, it is understood an ad hoc group with 30% of the notes would prefer an alternative solution that would see them receive more equity than the 15% under the original scheme.

The adviser said this was unlikely to derail the main principle of the deal, which would see the secured loans extended for several years, but kept whole, and retain security pledges albeit in a different form. Any reworking would have to be approved by this secured loans group.

"The banks want to see the group out of Chapter 11 as soon as possible and do not want to have an engineered default," said the adviser, dismissing more dramatic scenarios as "hopeful thinking" by bondholders. He expected the dispute over the new money to be resolved within weeks.

If that happens, then Seadrill should still be on track to exit Chapter 11 after the confirmation hearing of March 26, with an end date of early August envisaged.

Christopher Spink

Some details revealed on Banco Popular resolution

Documents released by the European Union's Single Resolution Board on Friday still left questions about why the body recommended Spanish bank BANCO POPULAR be put into resolution and sold last June to SANTANDER for €1 after its liabilities had been converted into equity.

Junior bondholders who were in effect wiped out by the transaction had successfully called for more details of the valuation report compiled by Deloitte for the SRB ahead of the resolution to be made public. They wanted it to assist their efforts to challenge the decision and get compensation.

The SRB published a redacted version of the report together with other material giving more background on the reason it came to the decision, which was backed by the European Commission and the Spanish bank restructuring fund FROB.

It showed Deloitte was told by the SRB how it intended to deal with the situation – by selling Popular to another bank – ahead of the consultant's work. One SRB document also revealed it considered the original sales process untenable during the week of May 29 2017.

That left Popular with the options of raising capital from existing or potential new shareholders, or being sold for a lesser sum at a distressed valuation. The new documents still redact information about the possible capital raise, but outline two potential bidders.

Deloitte also admitted its valuation was quicker than its usual work in the field and said it had limited access to management. The documents do not detail the extent of the liquidity run, which eventually forced the SRB to act quickly on June 7.

"The SRB wiped out our clients' investments, based on a report which, in Deloitte's own words, was prepared in an extremely short period of time and which it admits should be regarded as 'highly uncertain and provisional'," said Richard East, lead partner at law firm Quinn Emanuel.

Quinn Emanuel is acting for a group of affected bondholders, including Anchorage Capital, Algebris Investments and Ronit Capital, which have brought the action against the SRB forcing the extra disclosure.

"It is now obvious why the SRB didn't want to disclose this report as it clearly shows the absence of any real analysis and a proper valuation," East said.

Christopher Spink

StanChart gets China Belt & Road backing

STANDARD CHARTERED has signed an agreement with CHINA DEVELOPMENT BANK allowing the state-owned institution to provide up to Rmb10bn (US$1.59bn) to the London-listed bank for projects under China's flagship Belt & Road initiative.

The memorandum of understanding, covering the next five years, was signed last week during a meeting between UK prime minister Theresa May and Chinese premier Li Keqiang.

Standard Chartered has been keen to finance the infrastructure projects. In December it outlined plans to extend a further US$20bn to the initiatives over the next three years, after contributing to 50 projects under the scheme in 2017.

The UK bank said it would use the facility "to support loans that will fund corporate finance projects and trade finance transactions" in the 45 countries covered by the Belt & Road plan in which it operates.

"Standard Chartered will make the drawdown decisions, and take the credit risk of the borrowers," said the statement.

CDB has earmarked Rmb250bn (US$40bn) for Belt & Road projects until 2019.

StanChart chief executive Bill Winters said: "This MoU brings us closer together, and offers more flexibility of funding, especially renminbi funding, to support projects along the Belt & Road initiative routes."

StanChart is not the first non-Chinese bank to support the initiative formally. CDB signed a similar agreement in June with DEUTSCHE BANK to provide financing for US$3bn of projects.

Standard Chartered Bank (China) has also been granted a licence to lead underwrite non-financial Panda bonds in China, becoming the second foreign bank to receive the privilege.

The People's Bank of China approved the licence, which regulates corporate bonds in China's interbank market. The licence means Standard Chartered Bank's Chinese unit can now expand its activity as joint lead arranger beyond financial and sovereign Panda bonds.

Christopher Spink

Goldman loses more traders in commodities overhaul

Several key commodities traders are leaving **GOLDMAN SACHS**, the latest wrinkle as the Wall Street firm seeks to turn around its struggling commodities unit.

Don Casturo, operating chief of global commodities, is one of those leaving, sources said. He first joined Goldman in 1998.

Other people leaving include *Saad Usmani*, a London-based managing director who traded crude oil and natural gas; *Rahul Dhir*, who traded refined oil products; and *Will Evans*, a global franchise manager, according to people familiar with the matter, and a memo last week announcing Casturo's departure, seen by Reuters.

Evans is joining hedge fund Citadel as commodities chief operation officer, a source said.

Goldman had an awful year in commodities in 2017 and the unit was the main driver of a 30% decline in its fixed income, currency and commodities business. Analysts and investors have been closely watching the decline of its trading book for evidence of an improvement in commodities.

Goldman hired several new senior traders late last year to turn around the business and replace people like Greg Agran, who left as co-head of commodities trading in September after 26 years with the bank.

The bank has been working to reduce risk and manage assets that were hurting results towards the end of 2017.

Commodity trading firms and banks posted major losses in 2017 due to muted client activity and volatility in energy markets. A number of firms suffered heavy losses in the first half of the last year after the slide in natural gas prices, while others lost money in the second half due to swings in oil prices during Hurricane Harvey, analysts said.

Last month Jamison Capital Partners, a US$1.5bn commodity hedge fund, told investors it was closing. It follows other big names that have closed, including Andy Hall's Astenbeck Capital Management and Texas tycoon T Boone Pickens.

Goldman is the only large US bank that has continued trading and investing in commodities in a major way. Rivals including Morgan Stanley pulled back years ago after a public outcry over banks potentially influencing commodities prices, and as regulatory scrutiny increased.

Catherine Ngai, Devika Krishna Kumar

India deepens corporate bond market

India has taken steps to deepen the corporate bond market in its budget for 2018-2019, although the slippage of fiscal targets is likely to worsen the current sell-off in the short term.

Finance Minister Arun Jaitley said last week in the annual budget the government would work to make a broader universe of bonds fit for institutional investment.

"In India, most regulators permit bonds with the 'AA' rating only as eligible for investment. It is now time to move from 'AA' to 'A' grade ratings. The government and concerned regulators will take necessary action," he said.

Corporate bonds rated BBB or equivalent are investment grade, Jaitley pointed out.

Investors praised the measure as it will allow a broad range of corporations to access long-term money in the debt markets.

"This is a welcome move, insurance companies have long-term capital and are in a position to take on risks of corporate paper in a scenario when the economy is expected to pick up and corporate earnings are set to improve," said Sandeep Bagla, associate director at Trust Capital.

Jayen Shah, head of DCM at IDFC Bank, said Employees' Provident Fund Organisation, Pension Fund Regulatory and Development Authority and Insurance Regulatory and Development Authority are expected to make necessary regulatory announcements on investments in bonds up to a rating of A grade.

Jaitley also said the Securities and Exchange Board of India would consider mandating that companies, beginning with large ones, meet about a quarter of their financing needs from the bond market.

Market participants will be awaiting further clarification from the regulator, including whether they will complement Reserve Bank of India guidelines on limits on bank's exposure to corporates.

But while the budget announcement raised hopes for the future, the sell-off in the bond market escalated.

The yield on 10-year government bonds maturing in January 2028 went up 24bp to 7.67% after the government revised the fiscal deficit target to 3.5% of GDP from 3.0% for FY18-19.

Krishna Merchant

IN BRIEF

Thunder road

Australia has taken a baby step on the path to a domestic total loss-absorbing capacity (TLAC) regime, but the journey is likely to take several years. In a paper last week outlining banking policy priorities in 2018, Australia's regulator recommended starting consultations later this year on implementing a TLAC framework.

TLAC regimes are already at work in the US, Europe and parts of Asia. The aim is to reduce the need for taxpayer-funded bailouts of lenders in the future by making banks hold additional buffers through the use of new bail-in instruments.

European banks now regularly issue senior non-preferred bonds that are typically rated two notches below standard senior bonds by the three main rating agencies. US banks have issued TLAC-eligible instruments through their holding companies. The latter option is not open to Australia's four major banks since they do not operate under holding companies, though non-majors Suncorp and Macquarie do.

Catalan comfort

People kept their money in Spanish lenders **CAIXABANK** and **BANCO SABADELL** in the last three months of 2017, despite intense uncertainty over Catalonia's independence bid. But while deposit levels were stable, income remained under pressure at the two banks, which both moved their headquarters out of the north-eastern Spanish region in October after regional leaders pursued a secession campaign.

Although the banks said they suffered deposit outflows in the days after the October 1 referendum, which was ruled illegal by Spain's constitutional court, these were quickly reversed. Sabadell, Spain's fifth-biggest bank, said its deposits grew 1% in Q4, while Caixabank, the country's third-largest, said its had fallen by 0.2%

Bitcoin bashed

Cryptocurrencies plunged last week, with bitcoin sliding below US$8,000 to head for its worst week since 2013 as worries about a regulatory clampdown sent investors scrambling to sell.

Bitcoin, the biggest and best-known cryptocurrency, fell 12% early on Friday to a two-month low of $7,910 on the Luxembourg-based Bitstamp exchange. It was down more than 30% over the week.

Retail investors have poured money into digital coins, enticed by the huge run-up in prices, but regulators are clamping down. India on Thursday vowed to eradicate the use of crypto-assets, joining China and South Korea in promising to ban parts of the market.

IFR ASIA: AT THE HEART OF ASIA'S CAPITAL MARKETS

IFR Asia is the world's most authoritative source of Asian capital markets intelligence, providing in-depth coverage on every significant issue across all asset classes.

Established in 1997, it draws on IFR's global editorial team – the largest of any capital markets publication with bureaux throughout the region – to provide the most reliable news, data and analysis there is.

IFRAsia.com takes this unrivalled content and combines it with new search functionality, enhanced navigation and intraday updates to create the perfect business development tool for the region's investment banking professionals.

To learn more about how you will benefit from IFR Asia's market-leading intelligence, visit www.IFRAsia.com

THOMSON REUTERS

A THOMSON REUTERS SERVICE

› SSAR 29 › Corporates 33 › FIG 38 › Covered Bonds 40 › High-Yield 41 › Structured Finance 44

■ **FRONT STORY** **FINANCIALS**

Greek sub debt return conceivable

› Buoyant market receptive to weaker credits

› Greek issuance unlikely prior to May's stress tests

Greek banks could attempt to raise subordinated debt after strong conditions reopened the door for many of the banking sector's black sheep, though some say it is far too early and that they will have to wait until after May's stress tests.

Some of Europe's weakest institutions charged back into the bond market in 2017 and early 2018, touting cleaned-up balance sheets and helped by investors' desperation for decent yields in a world of central bank easing.

IKB Deutsche Industriebank, one of the first lenders to topple in the 2007 financial crisis, was the latest such example, finding over €1.3bn of demand on January 22 for an unrated €300m 4% 10-year non-call five-year Tier 2.

After successful bank transactions out of Spain, Italy and Portugal, the spotlight has inevitably shifted to the Greek lenders after their debt was effectively wiped out in 2015 to help plug a €14.4bn capital hole.

The big four - National Bank of Greece, Eurobank, Piraeus Bank and Alpha Bank - have all issued covered bonds since October, but bankers believe a sale of riskier subordinated debt is also feasible.

"The Greek banks are looking into re-entering the market," said one. "Some are even thinking they can get an Additional Tier 1 done. If IKB can do Tier 2, the Greek banks can as well."

But others view a comeback before the European Central Bank's stress tests of the Greek banks as impossible. The results are expected in May.

"I don't know if the term 'no smoke without fire' applies here," said a second banker.

While the rally in Greek sovereign debt is encouraging, one Greek bank official said there are no plans to issue at this stage. His bank would ideally issue debt before returning to the equity market, but that is by no means a given.

"It depends really, if it is something we have to do, or if it is something we do out of our own initiative - these are two different things," he said.

"The rational thing here is to wait for the stress test results, and see how the next day looks for Greece, and re-examine all the options."

HIDDEN RISKS?

It is easy to see the source of bankers' optimism.

A €750m 5.375% 10-year non-call five Tier 2 (Caa2/CCC+) sold by Italian problem child Banca Monte dei Paschi earlier in January was more than three-times subscribed, despite previous bondholders seeing their securities wiped out to permit the injection of government funds. It was bid at 5.22% last Friday.

But numerous question marks hang over the Greek economy and the recovery of its banking system. The country has struggled to reduce its pile of non-performing loans, Europe's highest, which stood at 44.6% of total exposures at end-September 2017, according to Bank of Greece data.

Furthermore, their comparatively high capital ratios are tempered by a heavy reliance on deferred tax assets, the value of which could be undermined by regulatory changes, leaving banks vulnerable.

Michael Hunseler, managing director at Assenagon Asset Management, said he would not buy Greek bank subordinated debt now even if capital ratios look fine.

"These ratios are ultimately derived from risk assets, and you need to trust those numbers and the underlying risk," he said.

> "The rational thing here is to wait for the stress test results, and see how the next day looks for Greece, and re-examine all the options"

"We've seen it several times where typically it's not the erosion of capital ratio which leads to panic, it's more the perception that there are some hidden risks and that credit portfolios might be worse than anticipated, and then all of a sudden, those banks die of liquidity death."

PATIENCE IS A VIRTUE

While the cost of subordinated debt has plummeted in the past year, it is arguably still too punitive for Greek lenders.

Eurobank gave a glimpse into where a Tier 2 might clear in the public market when it replaced €950m of government-held preference shares that had lost regulatory value with Tier 2 in January.

Those securities, also sold to the state, carried a 6.4% coupon, but bankers said that may not have been sufficient to twist the arm of private investors.

"What do the banks get from putting Tier 2 out there at 7% or 8%, prior to the stress tests?" said a third banker. "If they have a good stress test, is it really a good return to market at a punitive level [before]?"

He reckoned AT1 would be a stretch given the pools out of which coupons are paid look too low, years of accumulative losses having depleted reserves.

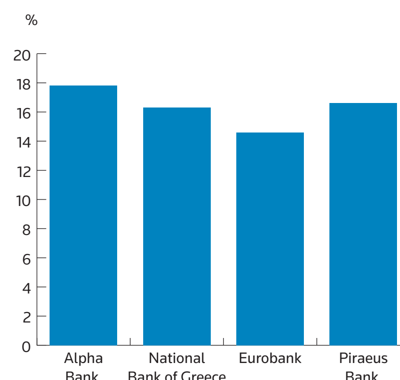
On the other hand, that situation should improve as the Greek banks edge into profitability.

"Banks might start considering some nominal payments at some point, as shareholders have been injecting capital for the last few years with no return whatsoever," said Nondas Nicolaides, a senior credit officer at Moody's.

Alice Gledhill

BUFFERING UP

FULLY-LOADED CET1 RATIOS OF GREEK BANKS (LAST REPORTED)



Source: Company results

Al Rayan Bank readies UK's first Islamic RMBS

Sukuk securitisation arrives in the UK

The UK's first Sharia-compliant RMBS was announced on Monday, offering investors Triple A paper backed by home finance products marked by key differences from typical residential mortgages.

The deal is from **AL RAYAN BANK**, based in Birmingham. It was formerly the Islamic Bank of Britain until it was bought in 2014 by the Qatari Masraf Al Rayan QSC Group.

"We're aiming to grow from around £1.8bn currently to over £3bn over the next couple of years and that growth needs to be funded," said Amir Firdaus, treasurer at Al Rayan Bank.

The products the bank offers to clients are all Sharia-compliant, and its funding sources must be too, meaning that unlike many other challenger banks it was unable to borrow money under the Bank of England's Funding for Lending Scheme and Term Funding Scheme programmes.

"An asset-backed deal fits perfectly with traditional asset-based sukuk issuance, and in fact because our deal is governed by English law it was easier to structure than one structured in, for example, the Middle East"

Firdaus said the bank aims to become a regular RMBS issuer and is planning to bring a second deal next year, but was also looking at the possibility of securitising the Sharia-compliant buy-to-let and commercial real estate financing that the bank originates. Al Rayan Bank received an Aa3 rating from Moody's in November, potentially also opening the door to unsecured funding.

"An asset-backed deal fits perfectly with traditional asset-based sukuk issuance, and in fact because our deal is governed by English law it was easier to structure than one structured in, for example, the Middle East," said Firdaus.

UAE energy firm Dana Gas last year halted payments on an Islamic bond after receiving advice that its structure was no longer Sharia-compliant and was declared unlawful under UAE law, though the purchase undertaking the contract is regulated by English law.

Moody's says that in the case of the Al Rayan RMBS, the deal's assets and liabilities are all regulated under English law, meaning it is highly unlikely a local jurisdiction would interfere.

Al Rayan Bank will securitise home purchase plans (HPPs), a Sharia-compliant tool to finance home ownership. It has around £660m of HPPs on its books.

With HPPs, a client and the bank itself jointly buy a property, and over time the client pays instalments to the bank to increase its share in the property.

Until its stake is fully bought out, the bank itself holds legal title to the property, and in fact leases the property to the client. This means that as well as the acquisition instalments, the client also pays rent to the bank, which is linked to the Bank of England base rate but can be fixed for a period of time.

The securitisation SPV, itself a Sharia-compliant vehicle called **TOLKIEN FUNDING SUKUK NO.1 PLC**, will buy the HPPs and sell a maximum £250m Class A certificates, rated Triple A by Moody's and S&P. They have a WAL of 2.87 years and a call date in April 2021.

The certificates are backed by a £301.4m portfolio secured on properties in England and Wales. There are 1,672 customers, with the top 20 making up 4% of the pool. The average balance is £180,000.

Seasoning is low at 1.86 years, the current 'Finance to Value' level is 64.1% and there are no HPPs in arrears, no right to buy and no buy-to-let HPPs. Some 56% of the HPPs involve a fixed-rate rental period, with the rest on standard variable rate.

The rating agencies note that Al Rayan Bank has a limited arrears history, and all previous arrears have been cleared before enforcement, meaning it has no practical experience in enforcing HPPs. There is a backup servicer, Homeloan Management Ltd, in place.

The joint lead managers are *Al Rayan Bank* and *Standard Chartered*. Regular UK RMBS investors will be targeted although there may also be participation from regular sukuk buyers inside and outside the UK.

The originator held investor meetings on Thursday and Friday, and pricing is expected mid-February. Pre-marketing has already taken place to introduce the bank and the HPP product to investors.

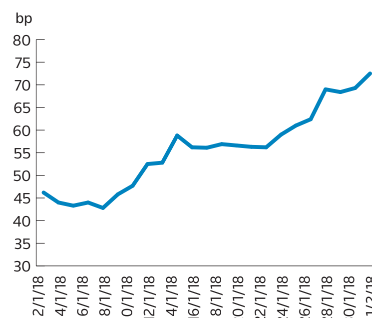
Internal meetings about the securitisation took place in a meeting room at the bank named after Birmingham author JRR Tolkien, whose name is now used by the SPV.

Chris Moore

WEEK IN NUMBERS

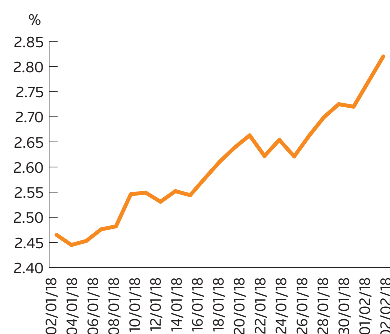
76bp

THE YIELD ON 10-YEAR BUNDS, UP 30bp SINCE THE START OF THE YEAR AND THE HIGHEST LEVEL SINCE DECEMBER 2015



2.82%

THE YIELD ON 10-YEAR TREASURIES, UP 36bp SINCE THE START OF THE YEAR AND THE HIGHEST SINCE APRIL 2014



£3.3bn

THE AMOUNT OF DEMAND FOR WELLCOME TRUST'S £750m CENTURY BOND, ONLY THE FOURTH SUCH BOND IN THE STERLING MARKET FOLLOWING MEXICO, EDF AND OXFORD UNIVERSITY

90bp

THE AVERAGE SPREAD OVER TREASURIES FOR US HIGH-GRADE BONDS, ACCORDING TO ICE BAML DATA, A NEW POST-CRISIS LOW

€2.301bn

THE AMOUNT THE ECB BOUGHT THROUGH ITS CSPP IN TRADES SETTLED IN THE WEEK UP TO JANUARY 26

In total, it has bought €136.926bn

SSAR

US DOLLARS

SOLID DEMAND FOR US DOLLAR FLOATERS AS SSA SUPPLY DRIES UP

Investors poured into **NEDERLANDSE WATERSCHAPSBANK**'s US dollar floater on Wednesday, proving that the market is still wide open for paper in that currency.

The 18-month deal represented the shortest floater the public market has seen this year, and the issuer was able to size it at US$1bn via *Bank of America Merrill Lynch*, *Nomura* and *RBC*.

"It's a pretty solid outing," said a lead. "Issuers are happier to take fixed-rate over floaters given where yields are. But floaters are the easiest approach in terms of swaps and there's an ease of execution," said a lead.

The yield on two-year Treasuries rose to 2.14% on January 31 from 2.08% on January 25, according to Thomson Reuters.

The issue, for which the spread was set at 2bp over three-month Libor, followed a successful trade by Norway's **KOMMUNALBANKEN** on Tuesday. Leads *Citigroup*, *JP Morgan* and *TD* set final terms on that US$700m long three-year deal at 4bp over three-month Libor.

Indications of interest were in excess of US$680m for the NWB deal and over US$500m for Kommunalbanken.

Spreads are coming in aggressively, said a banker away from the deals.

"The front end is becoming more anchored but there is no slackening in demand. Investors are buying at the longer end in dollars for sure - just look at recent 10-years like KfW's (2.875%, US$3bn) and Asian Development Bank's (2.75%, US$1.5bn) trades, which were very well received."

The market is so buoyant that nothing seems to derail it, said a second banker away from both deals.

"My only concern would be if spreads tightened so much they could be getting close to zero, and you can't sell at negative rates."

A February 1 report by Commerzbank said that Treasuries yields will likely continue to rise.

"With the tax reform more front-loaded and uncertainty about corporate and central bank selling requiring a higher term premium, we expect 10-year US Treasury yields to rise to 3% by year-end," it said.

"We strongly resist more bearish calls though – as a 3% handle should attract enough willing buyers. The much more subdued increase in 30-year US Treasury yields, which are still below 3%, is a case in point and the much lower yields in other developed markets should cap the upside in the US."

SHORT BREATHER

SSA supply was limited last week, which bankers said had to do with the fact that the first big wave of issuance had already come, with issuers are now planning around Lunar New Year, which will fall on February 16.

"SSA benchmarks are down 15% year-on-year in both dollars and euros - it's just that expectations are lower for this year," said the third banker.

Sovereign and supranational issuers are rumoured to be coming to the market next week, with names such as Greece, Finland, and Belgium floating around.

And the **EUROPEAN FINANCIAL STABILITY FACILITY** has sent a request for proposals to banks for a euro-denominated transaction scheduled for the week of February 5.

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

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	JP Morgan	101	28,720.10	6.4
2	Citigroup	106	28,072.59	6.3
3	Barclays	69	27,293.16	6.1
4	HSBC	101	23,522.44	5.3
5	Goldman Sachs	54	21,845.53	4.9
6	BNP Paribas	73	20,941.05	4.7
7	Morgan Stanley	61	20,796.25	4.7
8	Deutsche Bank	77	20,098.95	4.5
9	BAML	73	18,113.70	4.1
10	Credit Agricole	43	13,601.76	3.0
	Total	533	447,084.96	

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	BNP Paribas	35	10,272.38	6.1
2	Barclays	25	10,202.63	6.1
3	Credit Agricole	30	9,627.88	5.8
4	UniCredit	34	9,558.24	5.7
5	JP Morgan	31	9,309.44	5.6
6	NatWest Markets	15	8,560.76	5.1
7	SG	31	8,418.41	5.0
8	Citigroup	28	8,018.83	4.8
9	Deutsche Bank	29	7,962.00	4.8
10	Goldman Sachs	15	7,553.91	4.5
	Total	162	167,415.91	

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	9	6,224.06	10.2
2	Morgan Stanley	7	6,146.93	10.1
3	JP Morgan	15	5,835.50	9.6
4	Barclays	6	5,531.65	9.1
5	Citigroup	15	4,577.03	7.5
6	BAML	12	4,508.17	7.4
7	TD Securities	8	4,288.83	7.0
8	Deutsche Bank	6	3,690.47	6.1
9	HSBC	4	2,626.41	4.3
10	BNP Paribas	5	2,427.48	4.0
	Total	31	60,850.43	

Excluding equity-related debt, ABS/MBS.

Source: Thomson Reuters SDC code: O5

EUROPEAN SOVEREIGN BOND AUCTION RESULTS WEEK ENDING FEBRUARY 1 2018

Pricing date	Issuer	Size	Coupon (%)	Maturity	Average Yield (%)	Bid-to-cover
Jan 30 2018	Italy	€1.75bn	0.900	Aug 1 2022	0.660	1.61
Jan 30 2018	Italy (FRN)	€2bn	0.342	Apr 15 2025	0.420	1.63
Jan 30 2018	Italy	€4.5bn	2.000	Feb 1 2028	2.060	1.25
Jan 30 2018	Italy	€750m	2.800	Mar 1 2067	3.190	1.85
Jan 31 2018	Germany	€3.304bn	0.000	Apr 14 2023	0.080	1.33
Feb 1 2018	Spain	€1.19bn	0.050	Jan 31 2021	-0.021	2.57
Feb 1 2018	Spain	€1.208bn	2.150	Oct 31 2025	1.039	2.08
Feb 1 2018	Spain (i)	€755m	0.650	Nov 30 2027	0.000	2.69
Feb 1 2018	Spain	€895m	4.700	Jul 30 2041	2.262	1.65
Feb 1 2018	France	€3.621bn	0.750	May 25 2028	0.980	2.02
Feb 1 2018	France	€3.31bn	1.250	May 25 2034	1.330	1.34
Feb 1 2018	France	€1.943bn	1.750	May 25 2066	1.910	1.24

Source: IFR

So far, the EFSF has raised €10.5bn through three deals - a seven-year, a 22-year and a five-year - which leaves another €4bn in funding requirements for the rest of the quarter.

EDC AIMS TIGHT FOR OPPORTUNISTIC TWO-YEAR

EXPORT DEVELOPMENT CANADA sold a two-year US dollar bond last week, an opportunistic trade that printed right in line with fair value.

The market was digesting the outcome of the FOMC meeting that saw the US central bank leave rates unchanged for now while the base case for three rate hikes in 2018 was also unchanged.

Volatility in Treasuries - Thomson Reuters data show that the five-year yield climbed to 2.55% on February 1 from 2.45% on January 26 - means that issuers were avoiding the segment last week, instead opting for floaters or fixed rates in the shorter segment.

"Short-dated dollars continue to fly," said a banker away from the deal.

"There is plenty of liquidity at the front end, where there hasn't really been a swap spread move. There's a lot of cash - the curve is extraordinarily flat."

EDC sold its second deal of the year, a US$1bn 2020 note, with the spread set at 4bp through mid-swaps via *Citigroup*, *Goldman Sachs* and *RBC*. Books were over US$500m at the last update.

It priced a US$1.25bn five-year on January 17, which drew orders over US$1.55bn.

A lead on last week's EDC deal said that it was an arbitrage-type deal, capitalising on demand for shorter-dated debt.

"It's right on top of fair value, which is not unusual in the context of [other deals from peers] we've seen," he said.

Two weeks ago, issuers honed in on the three-year segment, with Cades pricing a US$2bn trade, Nordic Investment Bank a US$1bn transaction and CPPIB Capital a US$2bn. Books were twice subscribed.

While US dollar issuance continues at a steady pace, issuers in euros are adopting a wait-and-see approach. Ten-year Bund yields rose 16bp between January 22 and February 1, while the 10-year swap rate went to 1.085% from 0.95% over the same period.

"The market is not that good right now for primary issuance. It's mostly driven by Bund swap [spread] tightening. What says a lot is that KfW's latest [10-year] trade started at minus 20.5bp and is now minus 18bp," he said.

Another banker said that issuance has slowed down because there is no pressing need for funding.

"Issuers are not in a rush," he said. "We don't have a Brexit vote or French elections, so there isn't as big a push to front-load this year. Spreads are a bit wider and recalibrating. Supply will eventually go where demand comes in."

EUROS

EUROPEAN UNION MAKES RARE APPEARANCE WITH €2.4bn TRADE

Uncertainty hit sovereign markets last week, but that did not stop SSA issuers from powering on.

Movements in government bond markets saw the yield on the 10-year Bund reach its highest since December 2015. The moves followed comments by Klaas Knot, president of the Dutch central bank, over the previous

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

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Citigroup	45	9,120.20	8.3
2	JP Morgan	39	8,037.53	7.3
3	BAML	38	6,947.84	6.3
4	HSBC	35	6,825.45	6.2
5	Credit Suisse	34	6,262.68	5.7
6	Goldman Sachs	26	5,488.26	5.0
7	Deutsche Bank	24	4,593.97	4.2
8	BNP Paribas	19	4,291.89	3.9
9	Morgan Stanley	26	4,209.57	3.8
10	Wells Fargo	21	3,854.53	3.5
	Total	**143**	**110,477.19**	

Including Euromarket preferreds. Excluding equity-related debt.

Source: Thomson Reuters SDC code: J12

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

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Citigroup	73	16,984.33	8.5
2	Morgan Stanley	39	16,711.89	8.4
3	JP Morgan	63	15,664.10	7.9
4	Barclays	33	12,773.46	6.4
5	BAML	55	12,746.63	6.4
6	Goldman Sachs	37	12,252.20	6.1
7	HSBC	47	11,311.84	5.7
8	Deutsche Bank	33	9,053.31	4.5
9	Credit Suisse	37	7,293.49	3.7
10	BNP Paribas	25	6,830.08	3.4
	Total	**217**	**199,377.83**	

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

Source: Thomson Reuters SDC code: O1

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

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	NatWest Markets	4	5,400.28	13.3
2	Citigroup	7	4,684.84	11.5
3	Barclays	4	4,619.36	11.3
4	JP Morgan	4	4,158.21	10.2
5	Goldman Sachs	4	2,611.56	6.4
6	Santander Global	3	2,434.05	6.0
7	HSBC	3	2,184.10	5.4
8	ING	1	1,795.79	4.4
=8	Banca IMI	1	1,795.79	4.4
10	BNP Paribas	3	1,724.48	4.2
	Total	**11**	**40,714.57**	

Excluding ABS/MBS.

Source: Thomson Reuters SDC code: N4

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

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	BNP Paribas	3	1,978.63	9.4
2	JP Morgan	6	1,960.02	9.3
3	Goldman Sachs	2	1,900.66	9.0
4	Citigroup	6	1,723.88	8.2
5	Commerzbank	1	1,654.82	7.8
6	Credit Agricole	5	1,442.80	6.8
7	UniCredit	2	1,272.62	6.0
8	Natixis	3	1,096.96	5.2
9	HSBC	4	1,079.99	5.1
10	Nomura	2	913.14	4.3
	Total	**19**	**21,140.18**	

Excluding equity-related debt. Including publicly owned institutions.

Source: Thomson Reuters SDC code: N6

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

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	Barclays	4	2,983.10	20.4
2	Credit Agricole	3	2,856.94	19.5
3	UniCredit	2	2,608.20	17.8
4	Goldman Sachs	2	2,094.44	14.3
5	Commerzbank	2	1,607.24	11.0
6	NatWest Markets	1	1,481.08	10.1
7	DZ Bank	2	313.49	2.1
8	Deutsche Bank	1	248.73	1.7
=8	BNP Paribas	1	248.73	1.7
10	Natixis	1	98.39	0.7
	Total	**7**	**14,638.74**	

Excluding ABS/MBS.

Source: Thomson Reuters SDC code: N5

MUNICIPAL, CITY, STATE, PROVINCE ISSUES IN EUROS
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	DGZ-DekaBank	3	1,294.13	55.6
2	UniCredit	2	199.31	8.6
3	JP Morgan	2	195.28	8.4
4	Nord/LB	1	99.31	4.3
=4	BayernLB	1	99.31	4.3
=4	DZ Bank	1	99.31	4.3
7	HSBC	1	95.97	4.1
=7	Commerzbank	1	95.97	4.1
=7	Citigroup	1	95.97	4.1
10	LBBW	1	53.26	2.3
	Total	**7**	**2,327.79**	

Excluding ABS/MBS.

Source: Thomson Reuters SDC code: N7

Fast start for Kauri market

SSAR Issuers return to New Zealand to lock in demand-led pricing benefits

Pent-up investor demand has fuelled a rapid start to the year in New Zealand's Kauri bond market, with five regular Triple A rated supranationals and agencies making visits in January followed by two further trades on February 2 to take year-to-date issuance up to A$2.8bn (US$2.04bn).

This is just NZ$100m shy of the 2017 full-year total of NZ$2.9bn, with the 2014 and 2015 annual record of NZ$6.3bn potentially in reach as the year wears on.

The lack of Kauri supply since last September, A$2.325bn of redemptions coming up in February alone and the postponement of a planned syndicated sale of new sovereign April 20 2029 bonds mean the New Zealand market is ripe for a rush of new offerings.

"January brought strong demand, compounded by redemptions and more conducive New Zealand dollar swap spreads and basis, all combining to make the Kauri market sufficiently attractive to issuers, many with new funding programmes," said Glen Sorensen, syndication manager at ANZ Bank New Zealand.

This year's hefty issues from Nordic Investment Bank, Asian Development Bank, Inter-American Development Bank, the World Bank and Rentenbank all targeted the five-year sweet spot, where they benefited from tight mid-swap spreads between 33bp and 37bp, down from 41bp–50bp in the first two months of 2017.

"Five years is where Kauri markets have historically found the broadest and deepest demand. Domestic bank liquidity books have been a strong contributor to Kauri books in early 2018 and this is a tenor that typically appeals to them," said Sorensen.

"I would describe the offshore participation as high-quality and fairly diverse by Kauri standards, but it is the large volume of domestic demand that has driven deal sizes to record levels," Sorensen said. He estimated locals contributed 60%-70% of orders for the four Kauri trades that ANZ helped to arrange this year.

Cash-rich domestic investors have only a small amount of potential Triple A and/or Double A rated assets available to acquire, given the lack of local securitisations and limited government supply.

Gross central government issuance is expected to total NZ$28bn from fiscal 2017-2018 to 2020-2021 (NZ$7.0bn for each fiscal year), but, with redemptions of NZ$35.3bn over that period, net issuance is set to decline NZ$7.3bn over the period for an outstanding New Zealand government bond total of NZ$67.1bn as of June 30 2021, or 20.2% of forecast GDP.

Offshore investors are drawn to the high absolute yields available in New Zealand, as well as the additional pick-up SSAs pay over sovereign paper, compared with the Kangaroo market.

Last Wednesday, five-year New Zealand government bonds, rated Aaa/AA/AA, were yielding 2.45%. This was 3bp lower than the 2.48% for Australian five-year Treasury bonds. However, new Triple A rated five-year Kauris yield about 3.05% versus around 2.75% for new five-year SSA Kangaroos, according to syndication desks.

New Zealand recently lost its absolute yield advantage over US Treasuries, with five-year notes at 2.51% last Wednesday, but it still provides plenty more juice than five-year Gilts, Bunds and JGBs, which yield 0.97%, negative 0.01% and negative 0.07%, respectively.

A new annual Kauri issuance record may prove to be out of reach, however. Historically, January and February are the busiest months for the Kauri market and things are likely to slow down after that, especially with only NZ$225m of redemptions due from March onwards.

John Weavers

weekend that the ECB should clarify when it would end asset purchases.

The yield on Germany's benchmark bond had jumped to 0.70% on Tuesday compared with a high of 0.74% at the end of 2015, according to Thomson Reuters. The yield was 0.42% at the start of this year.

A banker said that while the rates sector has not shown signs of entering a bear market, investors may be keeping a close eye on price action.

"The Bund has hit a level we haven't seen in a while and I hope it will stabilise here. The next level is 30bp away - and that could be brutal," said the banker.

Amid these conditions, the EUROPEAN UNION made a rare appearance with a €2.4bn seven-year that drew books of over €4.75bn via *Barclays*, *Commerzbank*, *HSBC* and *UniCredit*.

The spread was set at 23bp through mid-swaps, a tightening of 3bp from guidance. The EU is rated Aaa/AA/AAA/AAA.

A lead said that the proceeds of the funding operation will be used to refinance Ireland's European Financial Stability Mechanism loan, which made raising money with a seven-year maturity a deliberate choice.

"Issuers always come with size expectations in mind and €2.4bn was the maximum they could take for this maturity," said a lead.

A second lead estimated fair value at minus 24bp or minus 25bp.

The EU's 0.625% November 2023s were trading at minus 24.5bp on Tuesday, according to Tradeweb, and its 1.875% April 2024s at minus 29.7bp.

"It's very fairly priced," said a banker away from the deal. "It's a good book and that part of the curve hasn't been active for a while."

AGENCIES FOLLOW IN FOOTSTEPS OF SOVEREIGNS

Agencies stepped into the bond market last week following well received recent offerings from countries like Spain.

FONDO DE AMORTIZACION DEL DEFICIT ELECTRICO, guaranteed by the Kingdom of Spain, came on the heels of a €10bn 10-year blockbuster from the sovereign the previous week that was more than four times subscribed.

FADE was in the market with a five-year benchmark, with *BBVA*, *Citigroup*, *HSBC* and *Santander* acting as leads.

"Issuers have broadly done a bit of funding so far. It makes sense that agencies are now stepping in after sovereigns have led the way," the banker said.

"The depth you saw with Spain shows that demand is definitely out there."

FADE set the spread for its €1.5bn deal at 15bp over interpolated Spanish government bonds, with books in excess of €2.5bn. Its ratings are BBB+/A-/A (low) from S&P, Fitch and DBRS.

SFIL chose a somewhat unusual tenor for them - an eight-year - which a lead banker said was the issuer's decision.

"An eight-year comes with a more interesting yield, maybe 0.8%," he said.

The spread on SFIL's deal was set at 20bp over interpolated OATs via *BNP Paribas*, *HSBC*, *JP Morgan*, *LBBW* and *NatWest Markets*. Books were over €1.75bn at the last update. The issuer is rated Aa3/AA/AA- (Moody's/S&P/Fitch).

A banker away from the deals said pricing was still tight in SSA despite sell-offs in the sovereign space.

"Spreads of sovereigns versus swaps have seen big moves, but by no means should we worry about the market being closed," he said.

"Timing, maturity choice and relative value are going to be a theme. The market has become a bit dynamic. We don't see any panicky vibes around fixed income. What it's done is cause a big flattening at the longer end."

PORTUGAL LOOKS AT ISSUING LONGER MATURITY BOND

PORTUGAL is considering the sale of a longer dated bond as part of its 2018 funding programme, Ricardo Mourinho Felix, Portugal's deputy finance minister, told IFR.

While the sovereign tends to borrow in the five to 10-year space, it could consider going longer if there is enough investor appetite.

"We have conveyed to the DMO that we're open to looking at possibilities of long-term issuance of bonds if it's profitable, adequate, and stable enough to be part of our yield curve," said Mourinho Felix on January 12.

"We can look at concrete proposals that investors may have, but [20 to 30 years] are the type of maturities that other countries [have issued] that are very long [and] that's the type we can look at."

Going longer could help issuers lock in low yields for an extended period before the ECB raises interest rates, which the market is expecting will start to happen next year.

While Portugal already has a February 2045 bond, Italy has eight bonds with tenors longer than 20 years, extending out to March 2067.

Portugal's latest issue, a €4bn long 10-year in January, came at a yield of just inside 2.14% - a far cry from the 4.23% it paid at the same tenor last year in January.

The sovereign has profited from rating upgrades to investment grade from S&P and Fitch, in September and December 2017, respectively.

Portugal's current weighted average yield is estimated at close to 3%, according to DBRS.

STRONGER GROWTH

The success of Italy's recent €9bn long 20-year showed how keen investors are to buy peripheral sovereigns. It drew books of over €31bn.

As peripherals show improving growth and government finances, investors are increasingly comfortable holding paper from outside core Europe.

"There's a very high chance of good performance in bond markets if Portugal continues to deliver on the data front," said a banker.

"There is a pattern of overall improved growth in Europe. This, alongside a compliant ECB, has meant the direction of travel has been for spread compression," said an investor.

Portugal's economy minister said growth forecasts for 2018 were between 2% and 2.5%. The country grew by 2.6% in 2017.

Portugal is seeking to establish a more liquid curve.

It is also looking to make a statement in Asia with its first Panda bond, which is awaiting approval from authorities.

But the bond will not be part of Portugal's 2018 funding plan, whereas a longer dated euro issue would be.

"We have a very prudent debt management strategy, replacing official investment by market investment without cutting down the average maturity of our debt," said Mourinho Felix.

CLOSING WINDOW

Market participants think other sovereigns could also be looking at the longer end.

"While there is uncertainty over the exact timing the ECB will adopt, even a material sell-off in long-end bonds is unlikely to deter issuers from selling longer dated debt, since those levels would still remain ultra-low on any multi-year view," said the investor.

"Rather, it may even accelerate maturity extension from issuers if perceived as a closing window of opportunity."

Portugal's net borrowing needs are expected to be around €10.9bn for 2018. It is rated Ba1/BBB-/BBB/BBB(low) (positive/stable/stable/stable) by Moody's/S&P/Fitch/DBRS.

STERLING

STERLING MARKET SEES MORE SSA BENCHMARKS

The SSA sterling market is going from strength to strength this year, with recent deals either being upsized, tightening, or both.

Sterling is functioning as a large benchmark market at the moment, according to Mark Byrne, SSA syndicate at TD Securities.

"Volumes are probably up 30% this month on last year, yet it feels quite orderly. There doesn't appear to be a rush of supply and investor demand is still very strong."

The EUROPEAN INVESTMENT BANK visited the market for the third time in a month, with a £500m tap of its September 2026s, after previously selling a £1bn three-year and tapping its December 2023s by £1bn. Books on last week's tap were over £1.1bn.

"There's an attractive pick-up in asset swaps versus shorter-dated bonds," said Byrne. "An eight-year isn't the usual tenor for primary SSA in sterling. We're seeing most of the supply in the three to five-year sector, and this offered something different to investors."

The deal was priced at 26bp over the 1.50% July 2026 Gilt via *Bank of America Merrill Lynch, Deutsche Bank, HSBC* and *TD*.

As the EIB has lending activities in the UK, sterling is cost-efficient for the issuer, according to Byrne.

Another lead said appetite for sterling was driven by the basis swap.

"There was more demand for EIB and they just didn't want to do more on that trade," he said.

MUNICIPALITY FINANCE also sought to take advantage of strong demand in sterling, pricing a £350m five-year at 33bp over the 1.75% September 2022 Gilt and drawing orders of more than £480m via leads *Nomura, RBC* and *Scotiabank*.

HIGHER YIELDS

Market participants expect yields to rise this year, in line with expectations of a rate hike.

However, that does not mean that bonds are in a bear market, said Chris Bowie, partner and portfolio manager at TwentyFour Asset Management.

"Our view would be that a modest sell-off to something like 1.75% is quite likely over the course of the year," he said in a February 1 note.

"In return terms, that would equate to a total return of -3.5%. For yields to go higher than that would require stronger than expected data, or global inflationary pressures to come to the fore, and we believe it will be some time before inflation comparisons in the US start to bite."

NON-CORE CURRENCIES

LOCAL BANKS LAP UP QTC FLOATER

Domestic banks bought the vast majority of last Tuesday's A$2.0bn (US$1.62bn) four-year floating-rate note issue from QUEENSLAND TREASURY CORPORATION, in the largest single-tranche semi-government offering for almost five years.

Despite the large size, joint lead managers *ANZ*, *CBA*, *NAB* and *Westpac* were able to price the February 7 2022 notes at the tight end of three-month BBSW plus 14.5bp–16.5bp guidance.

Investors in Australia bought 83% of the notes, while those in Asia took 10% and those in EMEA got 7%. Bank balance sheets, anxious to pick up one of the few eligible Level 1 liquid assets for Basel III purposes in Australia, were allotted 79%, official institutions 16%, asset managers 3% and trading desks 2%.

At the same time QTC, rated Aa1/AA+ (Moody's/S&P), tapped its 3.25% July 21

2028s for A$500m. The reopening was priced at 99.297 for a yield of 3.33%, the middle of 45bp–47bp guidance at 46bp over EFP (10-year futures) and 46.5bp wide of the May 2028 ACGB.

Of the additional notes, 59% went to local accounts, 25% to Asia, 15% to the US and 1% to EMEA. In terms of investor types, 49% were trading desks, a combined 18% were asset managers and insurers, 17% were bank balance sheets and 16% were hedge funds.

The two issues, which are both Rule 144A-eligible, completed QTC's 2017/18 A$7bn term debt borrowing programme and raised an additional A$1.5bn of prefunding for borrowing requirements in future years.

NTTC REOPENS 2042s FOR A$70m TAP

NORTHERN TERRITORY TREASURY CORP, rated Aa2 (Moody's), tapped its 4.10% November 2042 bond issue for A$70m (US$56m) last Tuesday, increasing the issue size to A$225m.

UBS was sole lead manager for the reopening, which was priced at 98.124 for a yield of 4.2225%, 90bp wide of the June 2039 ACGB.

NTTC raised A$155m from the initial sale on November 3, priced at 99.689 to yield 4.12%, or 95bp over ACGBs.

LGFV READIES NON-DEAL ROADSHOW

The LOCAL GOVERNMENT FUNDING VEHICLE, rated Aa2 (Moody's), has hired *CBA* and *NAB* to arrange a non-deal roadshow for investors in Sydney on February 12 and in Melbourne on February 14.

LGFV, a funding platform for local authorities in the state of Victoria, issued A$100m (US$81m) of 3.64% 10-year medium-term notes in June 2016, using the same two lead managers.

SSA ISSUERS TARGET LONG END

Supranationals and agencies mostly targeted the long end of the Kangaroo market last week.

Dutch agency Bank NEDERLANDSE GEMEENTEN (AAA/Aaa/AA+) tapped its 3.30% July 17 2028s for A$200m (US$160m) on Monday to lift the issue size to A$630m.

Deutsche Bank and *RBC Capital Markets* were joint leads on the reopening, priced at 98.026 for a yield of 3.5275%, 60bp wide of asset swaps and 68.25bp over the May 2028 ACGB.

AFRICAN DEVELOPMENT BANK raised A$360m on Tuesday from a 10.5-year bond via sole lead *Daiwa*. The 3.35% August 8 2028s priced at 99.737 for a yield of 3.38%, 45bp and 51.75bp wide of asset swaps and ACGBs.

ASIAN DEVELOPMENT BANK did the week's largest and tightest print on Thursday, when it issued a A$500m 10.5-year Kangaroo with *Mizuho* as sole lead manager.

The 3.30% August 2028 note priced at 99.868 to yield 3.315%, 43bp and 49.5bp over asset swaps and ACGBs.

Also on Thursday, Norwegian local government funding agency KOMMUNALBANKEN added A$50m to its 3.40% July 24 2028 line, taking the total outstanding to A$250m. The tap, via sole lead *RBC Capital Markets*, priced at 99.433 for a yield of 3.465%, 57bp and 64.875bp wide of asset swaps and ACGBs.

On Friday, German agribusiness agency Rentenbank tapped its 3.25% April 12 2028s for A$50m to lift the size to A$575m.

The reopening, through *Deutsche Bank*, priced at 99.269 to yield 3.335%, 44bp and 50bp over asset swaps and ACGBs.

Further up the curve, EXPORT DEVELOPMENT CANADA tapped its 2.70% October 24 2022s for A$125m on Thursday. *Nomura*, arranged the sale, which took the size of the issue to A$1bn.

The tap priced at 99.834 for a yield of 2.7375%, 30bp wide of asset swaps and 42.25bp over the July 2022 ACGB.

IFC TAPS MASALAS FOR Rs5.5bn

INTERNATIONAL FINANCE CORP has reopened its Masala bonds maturing in November 2024 for a Rs5.5bn (US$85m) tap.

IFC has yet to announce the yield on the new offshore rupee notes. The 2024 notes trade at a yield of 6.49%, according to Thomson Reuters data.

The outstanding size of the November 2024 Masalas has increased to Rs54.37bn following the tap, which was arranged by *TD Securities*.

"The rupee has become a popular currency and is well accepted by the global investor base," said a source. "There is reasonable demand for Masala bonds across Asia, Europe and the US."

The bonds of the World Bank affiliate are rated Aaa/AAA (Moody's/S&P), both with stable outlooks.

CORPORATES

US DOLLARS

HIGH-GRADE BOND SUPPLY WELL OFF LAST YEAR'S PACE

The US high-grade bond market is off to a disappointing start in 2018, with new issuance volumes down more than 26% from a year ago as corporates remain largely on the sidelines.

High-grade issuance totalled just under US$130bn in January. Financials accounted for the overwhelming majority of that

ALL INV-GRADE US CORPORATE BONDS
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	BAML	9	2,346.33	16.5
2	JP Morgan	8	1,500.45	10.6
3	HSBC	5	1,490.72	10.5
4	Morgan Stanley	4	1,397.99	9.8
5	Citigroup	5	1,268.39	8.9
6	Mizuho	3	848.26	6.0
7	Wells Fargo	6	831.60	5.9
8	MUFG	2	588.30	4.1
9	SG	1	499.58	3.5
10	Scotiabank	2	478.33	3.4
	Total	14	14,211.82	

Excluding equity-related debt, ABS/MBS, all foreign issues, global issues and non corporates.

Source: Thomson Reuters SDC code: F6a

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	JP Morgan	35	9,717.23	10.8
2	Citigroup	33	8,638.02	9.6
3	Morgan Stanley	26	8,299.48	9.3
4	Goldman Sachs	23	7,617.40	8.5
5	BAML	33	7,597.50	8.5
6	Barclays	15	4,943.59	5.5
7	HSBC	14	3,502.27	3.9
8	Deutsche Bank	12	3,428.24	3.8
9	Wells Fargo	17	3,178.45	3.5
10	Credit Suisse	11	2,987.88	3.3
	Total	73	89,671.97	

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	15	2,751.30	10.5
2	UniCredit	9	2,019.78	7.7
3	BAML	8	1,880.14	7.2
4	Deutsche Bank	9	1,562.39	6.0
5	SG	9	1,393.47	5.3
6	HSBC	10	1,341.54	5.1
7	Credit Agricole	8	1,318.03	5.0
8	MUFG	5	1,263.82	4.8
9	JP Morgan	8	1,254.65	4.8
10	Santander Global	6	1,237.66	4.7
	Total	39	26,170.52	

Excluding equity-related debt. FIGs, ABS/MBS.

Source: Thomson Reuters SDC code: N8

volume, which fell well short of the US$176.4bn seen for the same month in the prior year, according to IFR data.

While some corporates have emerged from blackout with new bond deals in the past few days, the pipeline, at least for the next few weeks, remains fairly modest.

Many lay the blame on tax reform, which has reduced the need for companies to raise debt to fund M&A or share buy-backs.

"Bond buyers have been expecting industrial supply to fill in here as companies come out of blackout," said Jason Shoup, senior portfolio manager at Legal & General Investment Management America. "But we're still in a situation where supply is running lower."

The end of tax on foreign profits in particular could be a game-changer for corporate bond issuers - especially technology companies.

US tech companies have around US$700bn of cash held offshore, more than any other non-financial tech sector, according to a recent CreditSights report.

Those companies are expected to issue less debt in the corporate bond market in favour of using this cash instead to boost shareholder returns, fund M&A and to pay down outstanding debt.

Microsoft said on its earnings call last Wednesday that new access to its US$132bn overseas cash pile means it will not need to access the capital markets. The company sold a bumper US$17bn seven-part bond deal last January to help finance its purchase of LinkedIn.

EVEN SLOWER

Bankers reckon February will be even slower, with syndicate desks forecasting US$85bn-$100bn for the month. The slower pace has left the buyside in a conundrum as cash continues to flow into the asset class.

Another US$2.2bn poured into US high-grade bond funds in the week ended January 31, taking year-to-date inflows to almost US$15bn, according to Lipper data.

Of course, the imbalance of supply and demand has been good for issuers. Average high-grade bond spreads hit a post credit-crisis low of 91bp over US Treasuries on Wednesday, and are now 7bp tighter year-to-date.

The smattering of corporate deals that have come to market - including a debut deal from **AMERICAN HOMES 4 RENT**, as well as others from known issuers such as **CONSTELLATION BRANDS**, **HUBBELL** and **FEDEX** - have all been well received.

FedEx's deal, for example, was nearly four times covered.

American Homes 4 Rent saw final investor orders of US$1.6bn for its debut offering on Wednesday, allowing the company to upsize the 10-year trade to US$500m from US$400m and price it a whopping 22bp inside IPTs, at Treasuries plus 158bp.

Hubbell, meanwhile, upped its 10-year M&A bond to US$450m from $400m, while **NATIONAL RURAL UTILITIES COOPERATIVE FINANCE** increased its 10-year trade to US$700m from US$500m.

HUBBELL KEEPS STANDARD COVENANTS IN NEW M&A BOND

Electrical products company **HUBBELL** stuck to convention last week with the covenants on its acquisition financing despite a recent push by investors to get better terms.

The Credit Roundtable, whose members have more than US$4trn under management, wants more favourable special mandatory redemption clauses when mergers end up not closing.

But Hubbell retained the typical change of control put and SMR language at a cash price of 101 - and that did not seem to affect demand.

The company was still able to upsize the 10-year offering by US$50m to US$450m and bring the spread in 17bp from initial thoughts to price the trade at 83bp over Treasuries, with just a 3bp new issue concession.

Bank of America Merrill Lynch, *HSBC* and *JP Morgan* were lead banks, which priced on Wednesday and which was over three times covered. Proceeds will help finance Hubbell's US$1.1bn purchase of Aclara Technologies.

In a public letter in January, the Credit Roundtable said the 101 cash redemption price is inadequate compensation when an M&A deal is not consummated.

Citing risks including rising interest rates and regulatory approval uncertainty, the group called on issuers to move towards spread-based SMR language.

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.

But David Knutson, co-leader of the Roundtable and head of credit research at Schroders, acknowledges it has been an "uphill battle" in the current hot market climate.

"Although market technicals currently favour issuers, it is important for both the sellside and the buyside to work towards fair and balanced prospectus language," he said.

At least six large M&A deals funded by new debt have fallen through in the past

ALL CORPORATE BONDS IN STERLING

BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total £(m)	Share (%)
1	Barclays	2	200.00	29.4
=1	Lloyds Bank	2	200.00	29.4
3	Morgan Stanley	1	160.00	23.5
4	NatWest Markets	1	40.00	5.9
=4	Credit Suisse	1	40.00	5.9
=4	HSBC	1	40.00	5.9
	Total	**2**	**680.00**	

Source: Thomson Reuters SDC code: N8a

ALL INTERNATIONAL STERLING BONDS EXCLUDING SECURITISATIONS

BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total £(m)	Share (%)
1	HSBC	13	2,445.58	14.4
2	NatWest Markets	14	2,147.37	12.6
3	RBC	12	2,036.04	12.0
4	Barclays	9	1,500.22	8.8
5	UBS	1	999.67	5.9
6	Lloyds Bank	7	975.70	5.7
7	JP Morgan	2	949.05	5.6
8	Nomura	7	915.42	5.4
9	TD Securities	6	834.09	4.9
10	BAML	3	700.03	4.1
	Total	**31**	**16,990.84**	

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	Barclays	19	9,293.24	6.9
2	BNP Paribas	25	8,993.50	6.7
3	Credit Agricole	23	8,686.75	6.4
4	JP Morgan	23	8,491.63	6.3
5	NatWest Markets	12	8,114.13	6.0
6	Citigroup	24	7,643.74	5.7
7	Goldman Sachs	12	7,308.06	5.4
8	UniCredit	21	7,195.10	5.3
9	SG	22	5,877.41	4.4
10	Deutsche Bank	16	5,807.41	4.3
	Total	**118**	**134,908.95**	

Excluding ABS/MBS, equity-related debt.

Source: Thomson Reuters SDC code: N9

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	16	1,641.51	27.9
2	UBS	13	1,334.31	22.7
3	Verband Schweizerischer	1	1,317.69	22.4
4	ZKB	7	486.30	8.3
5	BNP Paribas	5	395.01	6.7
6	Raiffeisen Schweiz	2	349.81	5.9
7	Deutsche Bank	3	182.79	3.1
8	HSBC	2	95.01	1.6
9	Commerzbank	1	87.57	1.5
	Total	**27**	**5,890.00**	

Including preferreds. Excluding equity-related debt.

Source: Thomson Reuters SDC code: K06b

Italian issuers shrug off election risk

CORPORATES/SSAR Different from run-up to December 2016's constitutional referendum

Italian issuers came to the market last week with benchmark bonds, avoiding potential volatility around Italy's general election, which will be held on March 4.

Italian corporates have been relatively unmoved in the secondary market, a combination of the ECB's aim to maintain geographic diversity of its CSPP and the relative scarcity of investment-grade Italian credit, according to CreditSights.

Investors poured over €1.9bn of orders into SIAS's upsized €550m 10-year bond issue, shrugging off the fast-approaching vote.

"The Italian election is still a month away and geopolitical risks haven't had much of an impact recently, especially on that type of stable, concession-based business," said a lead.

That limited impact is, however, recent. In the run-up to the constitutional referendum in December 2016, Italian sovereign and corporate curves steepened significantly, with utilities the worst affected sector, CreditSights analysts wrote.

Leads on SIAS's deal saw fair value at around 70bp, and strong demand meant they were able to hit that level, having tightened from the initial 85bp–90bp IPT range.

Banca IMI, BNP Paribas, JP Morgan, Mediobanca and *UniCredit* were joint bookrunners.

Another issuer that saw solid demand was ACEA, which lured in €1.2bn of orders for a €300m five-year floating-rate tranche, the same level of demand as for its €700m 9.5-year fixed-rate leg.

"Acea is a name that we like," an investor said. "They're relatively conservative as an Italian utility and they're diversifying away from water."

The strong demand meant leads were able to tighten pricing, from three-month Euribor plus 50bp–55bp area at IPTs to plus 37bp at the final terms.

In comparison, the longer leg, which extended Acea's curve, only moved 10bp from IPTs and printed at mid-swaps plus 70bp.

BNP Paribas, Citigroup, Credit Agricole, Deutsche Bank and *Societe Generale* were leads on the transaction.

NAVEL-GAZING

In the SSA market, market participants also said they were not worried about political risk emanating from Italy's election.

"It's a bit of a sideshow without meaningful risk attached to it," said a banker.

"The rise of populist parties has taken on greater importance, but the overall backdrop of rising yields is overshadowing that. We're getting some profound navel-gazing in terms of economic growth numbers and what this could mean."

Another banker said SSA issuers tended to be insulated from Italian risk.

"Political risk contagion is very limited. You won't see an impact on the likes of the European Investment Bank and KfW," he said.

Despite the fact that the market seems unconcerned by the elections, Italian issuers may opt to raise funding ahead of a potential minor correction.

CASSA DEPOSITI E PRESTITI priced a €750m eight-year trade at 103bp over mid-swaps via *Banca IMI, Credit Suisse, Deutsche Bank, JP Morgan, Mediobanca* and *Morgan Stanley*.

"The eight-year space is definitely the place to be in terms of roll-down and spread to govvies," said a banker away from the deal.

"CDP doesn't necessarily need a benchmark and they've got quite a liquid curve. "

Melissa Song Loong, Pauline Renaud

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 cashed out at the 101 level.

Investors such as Jason Shoup, senior portfolio manager at Legal & General Investment Management America, say they are watching the SMR clause fight very closely.

"If there's a surge of supply, the market could turn really quickly," he said.

"Issuers should be thinking of the risks they're transferring to buyers of debt - and whether it's really appropriate for buyers to be assuming that much acquisition risk."

EUROS

BEVCO DEBUT WINS INVESTORS OVER WITH JUICY SPREAD

BEVCO LUX overcame investor concerns to sell a debut bond, attracting over €2.1bn of orders, although at the short end of its maturity ambitions and after less tightening than other corporate trades last week.

Buyers' interest was piqued by the mandate announcement in late January, given the likely yield on offer for the unusual security. It came last Friday afternoon with a 1.75% coupon at 140bp over mid-swaps, or a yield to maturity of 1.884%.

"There's not much else that trades above 100bp in fixed investment-grade, so we'll be putting in an order," an investor said.

"I don't mind the risk as long as you're getting paid for it. Short and wide is good; I would have been less keen on eight years."

Bevco is owned by the Colombian Santo Domingo family, whose wealth mainly comes from its investment in the world's largest beer company, AB INBEV.

Lead bankers said the trade, mandated as a five to eight-year benchmark, was similar to any other investment holdco bond. But investors had flagged Bevco's lack of diversification - InBev represents 95% of its assets.

With no underlying cashflows, Bevco will service bonds using dividends it receives from InBev. But bondholders have no security over the restricted shares if dividends were to be cut.

Other red flags included Bevco's single rating - at BBB- (negative) from S&P - and the covenant-lite aspect.

Furthermore, the coupon step-up language, 125bp in the event of a downgrade to junk, means the deal is not ECB-eligible.

Having initially expressed some concern about the dividend issue and lack of security, by Friday, the investor was more sanguine. "Even if dividends are cut by 50%, it still leaves seven to eight times cover."

As positives, he also pointed to Bevco's low loan-to-value ratio at 8%, its conservative track record and its solid business.

While leads tightened pricing, the 10bp move was smaller than other issuers were able to achieve last week.

SIAS's €500m February 2028s, for example, printed at swaps plus 70bp, 15bp inside the tight end of IPTs, while Prosegur €700m February 2023s launched at 62bp over swaps, 23bp tighter.

Leads suggested investors consider JAB Holdings, Wendell and Exor to gauge fair value. The investor instead looked at the differential between corporate senior and sub spreads and added that to InBev's curve, coming up with five-year fair value of 130bp-135bp over swaps.

CreditSights analysts, however, were not as enthusiastic about the deal.

"While there might be a temptation to see the new Bevco bonds as a cheap way to play

Alliander new issue and tender bode well for hybrids

CORPORATES First deal since S&P revised methodology on hybrids

ALLIANDER found strong demand for a perpetual non-call 7.4-year, a deal coming alongside a tender offer and the first such issue since S&P revised its methodology on the early refinancing of hybrids.

Marketing on the €500m no-grow started in the 2%-2.125% yield area, ahead of guidance at 1.75%-1.875% - equivalent to swaps plus 95bp-107.5bp - with orders at the time over €2.5bn. The paper priced at the tight end.

Proceeds will be used to buy back a 3.25% issue callable in November 2018 at a yield of -0.25%, a premium of about 20bp, according to BNP Paribas analyst James Sparrow.

In mid-January, S&P relaxed rules related to the refinancing of hybrids within five years of issuance and also withdrew a proposed requirement that replacements have lower all-in costs than existing deals.

"Not having to worry about how S&P would have calculated whether the all-in cost of the replacement hybrid is lower has increased the likelihood of other issuers tendering for hybrid bonds, even if the final decision will come down to the transaction economics, optimisation of debt costs and balance sheet management," wrote CreditSights analysts, who saw the deal as expensive for investors.

ESTIMATING FAIR VALUE

Engie currently holds the record for the lowest hybrid yield. The French utility priced a €1bn perpetual NC5.25 Green bond at 1.50% in early January, but it has since sold off to over 1.60% bid, according to Thomson Reuters data on Tuesday.

A syndicate banker reckoned fair value on Alliander's deal, expected A2/A, could be anywhere between swaps plus 90bp and 100bp, depending on the reference points used.

Total was flagged as one of the main comparables. Leads spotted its €2.5bn non-call 7.1-year (A2/A-) at 1.77% ahead of the trade. Stedin's €500m non-call 3.9-year (BBB) was at 1.10%.

Leads reckoned an Alliander 7.4-year senior would come at about swaps plus 8bp, extrapolating between 2024s and 2026s.

CreditSights analysts had calculated that with a sub-senior differential equivalent to the 110bp achieved by Engie, Alliander would come inside 2%.

"Technicals, including low supply, have been favourable, that's why they moved a little bit earlier than the call date," the banker said early in the trade. "Rates have been going up but it hasn't impacted the overall demand yet. The concurrent tender is also helping because it allows investors to keep exposure [to the instrument]."

However, Sparrow pondered whether some investors would have reservations about tendering in order to move into instruments with record low reset rates.

The tender ends on February 5. The new bonds are expected to receive 50% equity credit from both Moody's and S&P.

ING (B&D) and *Morgan Stanley* were joint structuring advisers, together with *MUFG* and *Rabobank* as joint bookrunners.

Pauline Renaud

the AB InBev credit, we would rather see them as an expensive alternative to buying AB InBev's stock unless you are prepared to pay up to eliminate equity volatility," they wrote.

BNP Paribas and *Citigroup* were global coordinators, and joined as leads by *Bank of America Merrill Lynch* and *Deutsche Bank*.

FORD KICK-STARTS REVERSE YANKEE MARKET

FORD MOTOR CREDIT COMPANY woke the reverse Yankee market up last Thursday, coming with a combined €1.25bn two-part deal split between five-year FRN and seven-year fixed tranches.

Leads launched the floater 18bp inside IPTs at a discount margin of plus 42bp and upsized it from an expected €500m to €750m.

The bond left no premium on the table, according to a syndicate banker, who saw fair value in the low 40s.

The €500m no-grow seven-year printed at swaps plus 60bp, from IPTs of plus 70bp-75bp area, offering an estimated 5bp concession, the lead said.

BNP Paribas, *Deutsche Bank*, *HSBC* and *Societe Generale* were mandated as active joint lead managers.

In November, the company sold a combined €1.2bn in floaters split between four and seven-year tranches, the last reverse Yankee trades of 2017.

The transaction comes as speculation remains as to how much the US tax law reform will impact reverse Yankee issuance.

Last year saw around €47.5bn brought to market against €49bn in 2016. The number of issuers also decreased in 2017, down to 32 from 45, according to IFR data.

For 2017, the bonds represented about one sixth of total euro issuance.

While it is still early days to make firm predictions for the remainder of the year, a number of underwriters and investors believe the impact will be at the margins.

Under the new law, interest deductions have been capped at 30% of income in a year, a change that could encourage borrowers to issue debt in more favourable jurisdictions than the US. Previously, interest was fully deductible.

"However, this should mainly benefit high-yield issuers because of their higher interest tax expenses as a percentage of their Ebitda," an investor said.

A potential negative impact on the volume of reverse Yankees in 2018 could come from last year's US GAAP changes that simplified hedge accounting rules on cross-currency swaps.

"More US borrowers may therefore be tempted to issue in dollars and swap them into euros," a banker said.

However, a second banker expects the overall impact to be relatively modest as issuers are likely to continue tapping the single currency for their European businesses.

Similarly, the repatriation of funds onshore from US tech companies is not anticipated to have a substantial bearing.

"The tax impact is still a moving feast," a third banker said. "Let's see if primary supply warms up once people have released their quarterly financials."

Total investment-grade corporate supply in January was down nearly 30%, at €24.3bn-equivalent versus €33.7bn-equivalent in 2017, according to IFR data.

PROSEGUR REFI DEAL GAINS MOMENTUM

PROSEGUR COMPANIA DE SEGURIDAD easily covered the books for its €700m five-year last Thursday, attracting over €3.2bn of orders.

The Spanish security services company mandated the trade as a five to seven-year maturity, before picking the shorter option and upsizing by €100m from the expected €600m amount at the guidance stage.

The deal, which will refinance its outstanding €500m April 2018s, came shortly after a €600m long eight-year from Prosegur Cash, spun off from its parent company in March last year.

Prosegur focuses on manned guarding, security technology, security consulting and

residential security; Prosegur Cash deals specifically with cash-in-transit security.

Both entities are rated BBB (stable) by S&P.

The offering printed at 62bp over mid-swaps from IPTs of plus 85bp-90bp.

With no real curve, a lead suggested looking at recent Spanish trades, as well as services companies including Securitas, ISS and Edenred.

ISS, for example, has a Baa2/BBB rated €600m 1.50% August 2027 bid around swaps plus 62bp and a €500m 2.125% December 2024 at 44bp.

He also said investors may look at where Prosegur should be in relation to its spun-off entity.

In November, Prosegur Cash printed February 2026s at 87bp over mid-swaps. They were bid unchanged from that level on Thursday, according to Tradeweb data.

Barclays and *Santander* were global coordinators, along with *BBVA*, *BNP Paribas*, *Deutsche Bank* and *Goldman Sachs* as joint bookrunners.

BOOKS JUST COVERED FOR S IMMO DUAL-TRANCHER

S IMMO received combined €150m orders for its dual-tranche €100m six-year and €50m 12-year, though this was enough to allow the lead to tighten pricing levels on the trades.

While guidance was unchanged from IPTs at 2% area for the shorter leg and 3% area for the longer one, the coupons were 1.75% (1.80% yield to maturity) and 2.875%, respectively, at the final terms.

The unrated Austrian real estate company mandated *ErsteGroup Bank* as sole bookrunner for an investor call on Monday last week.

S Immo's lacklustre result contrasts with recent unrated trades, which attracted large demand. On January 22, Pirelli upsized an expected €500m offering by €100m on a book that peaked in excess of €3.25bn.

A few days later, investors piled orders into Ubisoft Entertainment's first public unrated bond, which attracted over €2.2bn of demand for a €500m no-grow five-year.

The response also contrasted with the one seen on Aroundtown, another REIT. The Triple B rated German issuer, which was back in the market on January 24 for the fourth time this year, raised €800m on orders of €2.1bn. Initially marketed at 115bp area over mid-swaps, the 10-year benchmark went on to price 20bp tighter.

AROUNDTOWN BUYS BACK €319m OF MAY 2022s

AROUNDTOWN has announced that €319m of its €600m 1.50% May 2022s were validly tendered in a repurchase offer at mid-swaps plus 23bp.

The tender ran from January 24 to January 30 and was funded with an €800m bond offering, the German REIT's fourth helping in the market this year.

Initially marketed at 115bp area over mid-swaps, the 10-year benchmark later launched 20bp tighter on orders of over €2.1bn.

Goldman Sachs and *JP Morgan* were the dealer managers for the tender offer and *Lucid Issuer* was the tender agent.

STERLING

WELLCOME TRUST PROVIDES NEW STERLING CENTURY MARKER

Investors rushed to WELLCOME TRUST's rare offering last Wednesday, pumping £3.3bn of orders in to its Century bond.

The Aaa/AAA rated UK-based biomedical research charity launched the £750m deal at 80bp over the July 2068 Gilt, 20bp inside IPTs.

Pricing was reminiscent of Oxford University's £750m 100-year bond in December. After an initial 110bp-115bp marketing level, the spread was set at 85bp over the 2068 Gilt on books of some £2.8bn. It was quoted at 77bp-74bp on Wednesday.

The sole bookrunner on both deals was *JP Morgan*.

"Although we wouldn't want to go for Wellcome Trust given the duration, it's good to have a few more deals for the comps at the super-long end," an investor said ahead of the trade.

So far, only three sterling Century bonds have printed - Oxford, Mexico's £1bn 2114s and EDF's £1.35bn 2114s, according to IFR data.

Wellcome's offering was only the second sterling issue of the year and came 10 days after Dwr Cymru Welsh Water sold a £300m March 2036 deal.

Wellcome Trust last hit the market in January 2015 with a €400m 12-year at swaps plus 40bp, now bid at 9bp over.

VW ADDS TO SPARSE STERLING SUPPLY

VOLKSWAGEN FINANCIAL SERVICES provided some welcome sterling supply last Friday, with volumes in the currency having dropped some 35% in January compared with last year, according to IFR data.

Although an investor mentioned the tight pricing at IPTs - Gilts plus 80bp-85bp - given the overhang of the emissions scandal that broke in September 2015, books were easily covered.

Demand for the 4.5-year deal, marketed as a benchmark, reached over £500m at guidance for a final £300m size. The deal printed at 75bp over Gilts.

Its £300m September 2022s were trading tighter pre-announcement at 70bp, according to Tradeweb. It also has £500m April 2021s, which were quoted at 65bp.

The bonds are guaranteed by Volkswagen Financial Services AG, which manages financial services for the carmaker in Europe, APAC and South America.

Deutsche Bank and *HSBC* (B&D) were the active bookrunners on the deal, expected to be rated A3/BBB+ by Moody's/S&P, in line with the guarantor ratings.

Volkswagen Bank, which was bought by Volkswagen from Volkswagen Financial Services AG a few months ago, printed in December a €2bn triple trancher which attracted €7.3bn of orders.

The parent company successfully returned to the bond market in 2017 and even sold deeply subordinated hybrid debt, a clear sign that investors have put the emissions scandal behind them.

Last Friday's offering was only this year's third sterling deal, coming after Dwr Cymru's £300m Mar 2036s and The Wellcome Trust's £750m Century bond.

Both sterling and euro supply were down about one third in January versus last year, with bankers speculating that issuers have so far had fewer funding requirements because of strong levels of pre-funding in November.

The small amount of M&A-driven financing as well as the lack of concern over an imminent change of the ECB policy on corporate purchases have also been mentioned as contributing factors.

SWISS FRANCS

AMAG LEASING BRACKETS THE SESSION

AMAG LEASING opened and closed the week for the Swiss market.

It started the session with a SFr150m (US$161m) five-year that priced around the middle of the initial guidance range of mid-swaps plus 50bp-55bp, at plus 52bp, or 93.3bp over government paper.

At reoffer, it came on the bid side of the curve. Asset managers took the majority of paper.

The issuer came again on Friday morning with a smaller and shorter "money for (almost) nothing" trade. It priced a SFr100m two-year 0.05% deal at par, coming just inside its guidance of mid-swaps plus 51bp area, at plus 50.8bp.

It was last in the market with a dual-tranche four and eight-year in October of 2017. Those both came wider than the new deal, at swaps plus 65bp and 85bp, respectively. Previous to that it had only

funded in the secured space with ABS under its Swiss Car SPV.

Although unrated by the international majors, AMAG has internal ratings from CS at mid BBB and ZKB at BBB-

Credit Suisse was joint lead and sole bookrunner, with *ZKB* as joint lead no books on the first deal, while both were joint leads and bookrunners on the second.

NON-CORE CURRENCIES

AUSNET MARKETING 10.5-YEAR ISSUE

AUSNET SERVICES HOLDINGS, rated A3/A- (Moody's/S&P), has been holding investor meetings in Asia and Australia for a potential 10.5-year domestic bond issue through arrangers *ANZ*, *CBA*, *NAB* and *Westpac*.

The AusNet Services subsidiary, Victoria's largest energy delivery service, sold a A$425m (US$338m) 4.40% 10.5-year bond on February 7 last year, priced 165bp wide of asset swaps.

FIG

EUROS

SANTANDER TAKES €1.25bn IN UNDERSUPPLIED TIER 2 SECTOR

BANCO SANTANDER priced a €1.25bn 10-year bullet last Thursday, only the second euro Tier 2 benchmark from a European bank this year, and carving out more than half of the €2bn target for 2018 it identified last September.

Final books were over €2.3bn for a print at mid-swaps plus 110bp, IPTs having come at 125bp area.

The outcome proved there is plenty of demand for Tier 2.

"Tier 2 has been on an absolute tear since the beginning of the year," said a banker away.

"Santander's Tier 2 is investment-grade but it trades super-cheap to the core IG names. Stuff from the Netherlands and France trades in the 50s-60s over mid-swaps. This is almost double the spread for a jurisdiction that people quite like and still offers a bit of upside."

Many banks have been focusing on senior non-preferred instead of Tier 2, giving rarity value to the trades that come.

"A lot of issuers are doing a lot less than the theoretical Tier 2 requirements," said the banker. "For names like Santander that are rolling out SNP programmes, the last thing you want to do is loads of cheap sub debt and reprice your senior."

"Also, if you look at the correlation of SNP spreads with total capital ratios, there is zero correlation because everything is trading on geography, ratings and basically trading to best, and the market is not really differentiating. The question is: what is the value of Tier 2?"

SCARCITY VALUE

Santander's trade (rated Baa2/BBB/BBB+) was only the second European bank euro benchmark Tier 2 this year after Banca Monte dei Paschi's €750m 5.375% 10NC5, which came with a considerably lower rating (Caa2/CCC+ Moody's/Fitch).

"Senior in most cases looks quite rich," said an investor. "There is more supply scarcity around Tier 2, so you'd rather hold that; that scarcity protects to the downside."

Santander said in September last year that it planned to issue €2bn of AT1 and €2bn of Tier 2 in 2018. That is higher than the €2bn to €3bn hybrid target it guided for 2018 at the start of last year, prior to acquiring failed lender Banco Popular for just €1.

It has since identified "additional needs" of €750m of AT1 and €1bn of Tier 2 in relation to that acquisition, having taken on an additional €55bn of risk-weighted assets. Popular's own AT1 and Tier 2 bonds were wiped out as part of its resolution.

"Clearly, as part of the resolution applied to Popular before they were sold to Santander, all of the subordinated was impaired," said a financials credit analyst.

"Hence, while Santander raised equity capital post the acquisition, the plan to issue AT1 and Tier 2 will make the capital structure more efficient for Santander as a whole."

BETTER LUCK THIS TIME

Another banker away said Thursday's Tier 2 was a strong outcome, particularly after a €1bn 5.25% perpetual NC2023 (Ba1) AT1 sold in September failed to gain much traction in primary. It has fared better in secondary, trading up at a bid price of 109.

"Getting a book of €2.5bn here and moving 15bp, I think it's an unbelievably good trade," he said. "You're at 110bp for a 10-year bullet for Santander - it's really impressive."

It was the second euro bond sale from Santander this year. The €1.25bn 1.125% January 2025 senior non-preferred (Baa1/BBB+/A-) priced last month has rallied from its swaps plus 60bp reoffer level to 53bp.

The bank said last Wednesday that it is already in line with loss-absorbing requirements known as MREL based on the information available.

TLAC - a similar global standard - presents the more imminent deadline, however, with

ALL SAMURAI BONDS
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total ¥(m)	Share (%)
1	Daiwa Securities	6	23,220.00	20.0
=1	Mizuho	6	23,220.00	20.0
=1	Mitsubishi UFJ MS	6	23,220.00	20.0
=1	Nomura	6	23,220.00	20.0
=1	Natixis	6	23,220.00	20.0
	Total	**6**	**116,100.00**	

Excluding equity-related debt.

Source: Thomson Reuters SDC code: K11

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

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	UBS	7	4,108.59	15.5
2	Deutsche Bank	5	3,066.25	11.6
3	BNP Paribas	8	2,697.28	10.2
4	SG	8	2,360.67	8.9
5	Natixis	3	2,097.51	7.9
6	Lloyds Bank	1	1,493.59	5.6
7	Credit Agricole	3	1,124.21	4.2
8	Morgan Stanley	5	973.18	3.7
9	JP Morgan	6	870.33	3.3
10	Santander Global	3	809.70	3.1
	Total	**32**	**26,516.93**	

Including banks, insurance companies and finance companies. Excluding equity-related and covered bonds. Excluding publicly owned institutions.

Source: Thomson Reuters SDC code: N11

ALL INTERNATIONAL YEN BONDS
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total ¥(m)	Share (%)
1	Daiwa Securities	6	23,220.00	20.0
=1	Mizuho	6	23,220.00	20.0
=1	Mitsubishi UFJ MS	6	23,220.00	20.0
=1	Nomura	6	23,220.00	20.0
=1	Natixis	6	23,220.00	20.0
	Total	**6**	**116,100.00**	

Including all Euro, foreign and global issues. Excluding equity-related debt.

Source: Thomson Reuters SDC code: K12

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	UBS	6	2,946.23	24.9
2	Credit Agricole	1	1,225.79	10.4
3	BAML	4	780.96	6.6
4	Goldman Sachs	3	741.40	6.3
5	Barclays	3	580.54	4.9
6	BNP Paribas	2	548.76	4.6
7	SG	2	490.67	4.2
8	JP Morgan	3	480.96	4.1
9	Citigroup	3	441.67	3.7
10	Natixis	1	389.14	3.3
	Total	**14**	**11,820.12**	

Source: Thomson Reuters SDC code: J3a

phased-in requirements starting from January 2019.

It guided the market towards a €10bn-12bn senior non-preferred issuance target for 2018 in March last year, and issued €19bn of TLAC-eligible instruments in 2017.

"For MREL, which has not been fully calibrated, the expectation is that it comes in line with TLAC, so there should no incremental issuance requirement for that," the analyst said.

Barclays, *Natixis*, *Santander* and *Societe Generale* were leads on the Tier 2.

NORDEA KEEPS FUNDING TICKING OVER

NORDEA priced a €1bn four-year senior floater last Wednesday, kick-starting its funding for 2018 as it pushes ahead with its proposed re-domiciliation to Finland from Sweden.

It was the year's first Nordic euro senior unsecured benchmark after a relatively quiet start for the region, covered bonds accounting for the only supply so far.

Books had passed €1.6bn as guidance was revised to three-month Euribor plus 15bp area (+/-2bp) from an initial 20bp area. Demand dropped to a little over €1.3bn when the trade launched at plus 13bp.

The bank proposed moving its headquarters to Finland last September to cut the costs of complying with Swedish regulation and put it on a level playing field with European peers.

The re-domiciliation was tentatively pencilled in for October 2018 but it has not yet been rubber-stamped, adding a layer of complexity to the bank's funding and capital planning.

Nordea started laying some of the groundwork last year, when it undertook a consent solicitation to make technical amendments reflecting the proposed move on certain outstanding instruments, such as the governing law.

It also changed subordination provisions in certain securities to permit issuance of senior non-preferred debt, a new asset class designed to help banks across Europe beef up their loss-absorbing capacity in a more cost-effective way.

The legislation permitting SNP issuance has not yet been passed in any Nordic jurisdiction, although European Union member states like Finland must push it through by the end of 2018.

While banks could get ahead by issuing contractually subordinated senior in the manner of Santander, a banker on Nordea's FRN downplayed the urgency to issue given the estimated size of their targets.

"I'm sure behind the scenes they're working pretty hard and through all the possibilities, like in all jurisdictions that haven't got the facility to issue MREL stuff yet," he said.

"But it feels like the lull before the storm on SNP in the Nordic region and it could last a little while, so it's full steam ahead with regular funding projects for the moment. Doing a senior preferred is testament to that - you strike a balance between not going too long-dated and paying up, but equally, keeping your funding ticking over."

Nordea last came to the euro senior market with a €2bn dual-tranche trade in September. It sold a €1bn 10-year at swaps plus 28bp, bid last Wednesday at 11bp, and a €1bn four-year FRN at three-month Euribor plus 15bp that had rallied to 11bp.

BNP Paribas, *Deutsche Bank*, *JP Morgan* and *Nordea* were joint leads.

STERLING

EASIER RIDE FOR JUST GROUP AFTER GRUELLING TIER 2

Tier 3 proved a considerably easier sell for JUST GROUP, which had to battle hard to get a £250m Tier 2 10-year bullet over the line in late 2016 despite the lure of a 9% coupon.

The UK financial services company, previously known as JRP Group and formed in 2016 though the merger of Just Retirement and Partnership Assurance, began a roadshow last Tuesday. Such was interest in the deal, leads hit the accelerator on Thursday just as the final meetings were being wrapped up.

Books were over £1.3bn as the spread fixed at 225bp over the March 2025 Gilt, a long way inside IPTs of plus 262.5bp area and guidance of 237.5bp/250bp. The size was set at £230m, the upper end of the approximate £200m expected.

That response was a far cry from October 2016, when its unrated high-yielding Tier 2 priced at the wide end of talk and was only marginally oversubscribed.

"The Tier 2 was a tough transaction, so I think for Just, this was a hugely important transaction - to come back to the market and prove they've got access," a lead said.

RATINGS BAIT

The outcome highlights the change both in market backdrop and in Just Group itself.

The company has since gained a rating, with Fitch starting its coverage at A+ in August last year. That saw the Tier 2s snap tighter from around 6.70% to 5.30% in a matter of days, since rallying further to around 4.60%, or 315bp over Gilts.

Fitch rates the Tier 3 bond at BBB, immediately opening it up to a broader investor base than an unrated Tier 2. The trade also benefited from a dearth of sterling subordinated insurance supply.

"This one really caught fire," said a second lead. He had expected the deal to land in the mid to high 3s, but it priced at a semi-annual yield of 3.519%. "Some international demand has come in as well, which is very pleasing," he added.

"Something in sterling at a 3.5%-type yield is a bit of a sweet spot. I think there were some high-yield funds interested in this that might not have bought FIG in the past, so it's quite interesting to see some of the names coming in."

While the pool of Tier 3 issuers remains small - only Phoenix in sterling, and CNP Assurances and BNP Paribas Cardif in euros - many investors like the structural features.

The asset class offers issuers a way to fortify their capital and reduce the average cost of their subordinated debt. The risk of mandatory coupon deferral is lower compared with Tier 2, and there is also no optional coupon deferral and no extension risk.

"I think the extra risk you're taking in Tier 3 versus senior is minimal, but Tier 3 still currently prices off Tier 2 rather than senior and there is not a lot of it around," said Gordon Shannon, a portfolio manager at TwentyFour Asset Management.

"It's got the right kind of relative value, it's got a rating, and I think they give a fairly compelling story."

There is also better clarity around the group's strategic direction, with growth in the sterling investor base and a better bid for paper also helping.

Phoenix's Tier 3, a £300m 4.125% July 2022 which it later tapped, was also vastly oversubscribed, and issuers such as OneSavings Bank, Direct Line and Sainsbury's Bank all managed to clear sterling deals last year alongside more established names such as Barclays.

NatWest Markets acted as structuring adviser and was also lead manager alongside *ABN AMRO* and *Barclays*.

NON-CORE CURRENCIES

WESTPAC MARKETS LOCAL AT1s

WESTPAC has mandated *ANZ*, *CBA*, *JP Morgan*, *Morgans*, *NAB*, *UBS* and its own syndication team to market a potential Australian dollar ASX-listed Additional Tier 1 note offering.

Any new issue is likely to include a reinvestment offer for eligible holders of Westpac's A$1.19bn AT1 notes due to be called on March 31.

The last Australian major bank to sell domestic AT1 notes was ANZ with last September's A$931m ANZ Capital Notes 5.

The perpetual non-call 7.5-year (March 20 2025) floating-rate note priced 380bp wide of 90-day BBSW.

NEWCASTLE PRINTS SECOND FIVE-YEAR, SUNCORP STAYS SHORT

NEWCASTLE PERMANENT BUILDING SOCIETY, rated A3/BBB, sold a A$225m (US$180m) five-year floating-rate note last Tuesday via joint leads *NAB* and *Westpac*.

The offering priced inside 145bp area guidance at three-month BBSW plus 140bp.

Newcastle previously issued a domestic five-year floater on January 17 last year – a A$150m print priced 165bp wide of three-month BBSW.

The same day, **SUNCORP-METWAY** (A1/A+/A+), Australia's largest non-major bank, raised A$200m from the sale of one-year floating-rate notes.

The *ANZ*-led issue priced in line with guidance at three-month BBSW plus 35bp.

Pricing was 5bp wider than the 30bp margin that Aa3/AA- rated (Moody's/S&P) Royal Bank of Canada, Sydney branch, paid for its US$300m one-year FRN on January 15.

ANZ (Aa3/AA-/AA-) issued the last major bank one-year floater on November 30, a A$650m print priced 25bp wide of three-month BBSW.

RABOBANK PRINTS DIM SUM NOTES

RABOBANK, rated Aa2/A+/AA-, has printed Rmb500m (US$79.5m) of three-year Dim Sum bonds at 4.30%, flat to final price guidance.

Standard Chartered Bank was arranger and lead manager on the trade.

The issue has expected ratings of Aa2/A+ (Moody's/S&P).

COVERED BONDS

EUROS

MARKET WELCOMES RABOBANK'S SECOND COVERED VISIT

RABOBANK last week priced its second covered bond transaction, the tightest 10-year euro benchmark from a non-German bank since the 2008 crisis.

Issuers have hit the 10-year tenor hard in 2018, offering a combined €7.65bn year-to-date as they lock in long-term funding often at historically tight levels. There has been limited supply from national champions, however.

Rabobank, one of the market's best-liked credits, made a triumphant entry into the covered market last May with a dual-tranche deal, selling a €1.5bn seven-year at swaps minus 11bp and a €1bn 15-year at swaps plus 9bp.

"There is no doubt that lots of accounts have room available to add some risk here," said a banker away.

Rabo's new issue swiftly attracted investor interest, garnering orders of more than €1.7bn and allowing the spread to be fixed at 10bp through mid-swaps for a €1.25bn deal. Guidance was minus 7bp area at the start.

"It is a very clinical standard Rabo execution that gets investor engagement," said a lead banker.

"The tenor complements the seven and 15-year curve, nicely filling in the gap. There's been a nice back-up in swap rates and therefore you are offering a better coupon."

Its May 2024s and May 2032s were trading at minus 17bp and minus 3bp, respectively, according to Tradeweb. This, combined with the relative flatness of the Dutch covered bond curve, put fair value on the paper - due February 2028 - at minus low 10bp, ABN AMRO analysts said.

A second lead saw fair value in the minus 12bp to minus 14bp area, with the 2bp or 3bp new-issue premium at the lower end of the range year-to-date.

Credit Suisse, HSBC, Rabobank and *UniCredit* ran the deal.

Prior to last Tuesday, Dutch covered bond issuance in 2018 amounted to €2.5bn, comprising only a €500m conditional pass-through 10-year from NIBC, and ABN AMRO's €2bn January 2033.

BANKINTER RETURNS TO BARREN SPANISH COVERED MARKET

BANKINTER returned to the covered bond market after more than two years away, becoming only the second Spanish issuer in that sector this year, after Caixabank.

The €500m no-grow February 2028 launched at 18bp over mid-swaps. Guidance was 20bp area (+/-2bp), marketing having started in the mid-20s.

One banker away said that Bankinter's outstanding €1bn 1% February 2025, which is very illiquid and trading fairly wide at 20bp over mid-swaps, was not a good indicator for fair value, which should be more in the context of the high teens to 20bp.

"Bankinter is not a bad name in terms of credit," he said. That said, a second banker argued it should price wide of CaixaBank's 10-year that came at 22bp over mid-swaps earlier this month, and is now trading at 20bp.

But he acknowledged that the deal's technicals - the size being capped, for example - meant leads *Bankinter Securities, Deutsche Bank, HSBC, Santander* and *Societe Generale* could push it tighter.

"They can afford to be quite aggressive based on size, swaps and scarcity value," he said.

Spanish covered issuance has barely got off the ground this year, though Santander and CaixaBank have sold a combined €2.25bn of senior non-preferred debt and further supply is expected as more lenders emerge from blackout.

"Spanish banks still have a lot of MREL and TLAC issuance to do to get up to speed with capital ratios, and this has a negative impact on covereds," said the first banker.

Banks prefer to tap the covered market to lock in the cheapest funding possible and for treasury management purposes.

With €114bn outstanding in the Cedulas Hipotecarias market, volumes have come down from the high of 2010, Societe Generale analysts said.

But despite the lack of issuance so far, the analysts forecast a boost in Spanish covered bonds.

"After very low volumes in 2017, we expect covered bond issuance in Spain to pick up in 2018," said the analysts.

"Wide senior unsecured spreads and potential pre-funding ahead of the ECB QE exit, combined with continued CBPP3 support, should favour issuance, particularly at the longer end of the curve."

GERMAN COVEREDS SCRAPE THROUGH

HELABA launched a six-year euro Pfandbrief at the lower end of the expected €750m-€1bn size range, after the final €900m order book proved insufficient for a larger deal.

The issuer opted for an unusual start, indicating a range on guidance from the outset, at minus 18bp area (+/-2bp).

"This looks a bit odd, to be honest," said a banker away. "I found it started a bit too tight. Minus 16bp at the start would have been a good approach, as normally Helaba is looking to do size."

The final spread was then pushed to less 20bp, among the tightest seen in the covered sector.

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

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	UniCredit	14	3,249.75	7.5
2	Natixis	11	3,017.67	7.0
3	SG	9	2,313.12	5.3
4	LBBW	10	2,280.48	5.3
5	Barclays	10	2,171.84	5.0
6	Commerzbank	11	2,136.62	4.9
7	Credit Suisse	7	2,127.34	4.9
8	HSBC	10	2,063.74	4.8
9	Deutsche Bank	8	2,029.78	4.7
10	UBS	8	1,986.03	4.6
	Total	**45**	**43,261.51**	

Source: Thomson Reuters SDC code: J15a

Supply pushes past January 2017 tally

COVERED BONDS Long end looks heavy but access for peripherals

Covered bond supply tailed off in recent days but January's €27.8bn total just eclipsed the €26.6bn raised in the first month of 2017 despite an uptick in rates volatility muddying the waters in credit markets.

Such was the pace of euro benchmark issuance last month that 27% of UniCredit analysts' full-year supply forecast target has already been raised.

French and German names dominated, accounting for a combined €10.2bn. But in a promising development, the latest peripheral deals were better received than earlier in the year.

"This highlights that relative value and credit positioning currently is the major driver for a new covered bond's success," according to Commerzbank analysts.

BANKINTER, for example, returned to the market last week for the first time since 2015, pricing a €500m February 2028 with no new issue concession. It was bid in line with reoffer at swaps plus 18bp last Friday.

On the other hand, volatility in rates markets could stymie long-dated trades, bankers said. Some €8.9bn of 10-year supply has emerged year-to-date, with banks such as ABN AMRO, Credit Agricole Cariparma and Westpac pushing out even longer.

But similar trades may be off the cards for now.

"Markets have become a little bit more difficult and everything looks very tight," said one syndicate official. LBBW's €1bn January 2025 at mid-swaps minus 20bp was the sector's tightest deal in memory, for example.

"We have seen rates on the rise every day, so some people are a bit more cautious and waiting for spreads to increase as well."

But a second banker reckoned the Additional Tier 1 sector is more susceptible to rising rates than covereds, given these trade on a yield basis. Recent AT1 trades have struggled to remain above par, with UBS's perpetual non-call 2023s bid at 98 and Belfius's €500m non-call 2025s at 99.67 last Friday.

"It's been quite a heavy week in AT1, to be honest," said a second banker.

"But if you look at where Belfius is trading now versus the reset it's probably flat or a couple of basis points wider, so a lot of it is to do with the rates moves. There has definitely been a reasonable degree of softness in AT1 this week but it's not been on heavy selling. It's just a bit of an adjustment to the rates environment."

MORE SENSITIVE

While the rise in government yields can make covered bonds look less attractive from a relative value perspective, it is the sheer tightness of spreads that has prompted greater price sensitivity among certain buyers.

"We have seen large numbers of investors dropping out of recent trades just on the back of issuers squeezing one more basis point," said the syndicate official.

Books for HELABA's €750m six-year last Thursday peaked over €1bn but fell back to €900m at the swaps minus 20bp reoffer.

But even if conditions may not be as straightforward as in recent months, banks are still expected to prioritise issuance in the first half of the year rather than wait for the second half, when the ECB is set to start tapering.

Last February's supply fell to €9.4bn, just under a third of January's volume, but the banker said he would not rule out seeing a decent flow.

"The covered space is working well, and we've seen no major signs of investor fatigue," he said.

Merle Crichton

The banker thought the pricing target was too ambitious, speculating that Helaba had the same headline spread in mind as LBBW's €1bn 0.25% January 2025, which priced at minus 20bp last month. It is bid marginally tighter, at minus 20.6bp.

"Adjusting the spread to minus 20bp risked investors dropping out because it's too aggressive," he added, suggesting the central bank would take a large allocation.

A lead defended the pricing strategy, arguing they wanted to show the market that it would price within this range without ratcheting any tighter.

Guidance was left unchanged at the first update since the issuer was undecided on spread or size. It went on to take a smaller deal at a tighter level.

ABN AMRO, *Erste Group*, *Helaba*, *Natixis* and *Societe Generale* were joint lead managers.

SPARKASSE PFORZHEIM CALW muddled through with a €250m no-grow February 2023 deal on orders just topping €250m.

Final terms came at 15bp through swaps, in line with minus 15bp area guidance. *LBBW* was the sole bookrunner.

Given this, the first banker said it was an achievement to print just 1bp wide of fellow German savings bank DekaBank, which is better known. Its recent €250m five-year is bid flat to its minus 16bp reoffer level.

Sparkasse Pforzheim Calw emerged from the woodwork with a renewed need to fund, having not issued covered debt since 2015. Its €250m 0.25% October 2020 is bid at 2.5bp over mid-swaps.

DEUTSCHE HYPOTHEKENBANK tapped its €500m April 2022 Pfandbrief by €250m, bringing the new total to €750m. Books closed at €300m at a final spread of mid-swaps less 18bp, following less 17bp area at guidance.

LA BANQUE POSTALE EDGING WIDER

LA BANQUE POSTALE continued the steady supply of French covered issuance, launching a €750m 10-year - a change from its usual €500m.

The no-grow February 2028 OFH racked up over €1.1bn in orders, allowing the spread to be fixed at swaps minus 8bp. Guidance was 7bp area (+/-1bp) through mid-swaps after an initial 4bp area inside.

A banker on the deal reckoned the deal benefited from a move in the underlying swap spreads, going from around 1.02% to 1.07% over the course of the morning.

La Banque Postale's €500m eight-year, issued a year ago, is trading considerably tighter at minus 14bp, from minus 2bp at issuance, according to Tradeweb.

The first banker viewed fair value on the new notes at minus 9bp-10bp, in line with where Societe Generale priced a €750m 10-year earlier this year at minus 9bp.

"I'd be surprised if La Banque Postale gets to this level," he said before launch. "Not because their credit is worse, but simply because the market is a couple of points wider."

The deal ended up pricing at minus 8bp last Monday.

Credit Agricole, *Commerzbank*, *LBBW*, *NatWest Markets* and *Societe Generale* ran the deal.

HIGH-YIELD

UNITED STATES

WESTERN DIGITAL GETS RATING UPLIFT WITH REFI

WESTERN DIGITAL put itself firmly on the way to investment-grade status on Tuesday, as it returned to the market with a US$2.3bn junk bond sale to refinance debt, prompting an upgrade from Moody's.

The new eight-year bond priced at a yield of just 4.75%, which was a touch wide to talk of 4.625% though still less than half the

10.50% the company was forced to pay just two years ago to finance its SanDisk acquisition.

Its credit profile - and ratings - have steadily improved since then, thanks to US$6bn of debt reduction and cost cuts. Total debt would be just 2.2 times Ebitda after the new debt deal, according to Moody's.

The agency propelled Western Digital to investment grade the day the new bond sale was announced by upgrading the company's unsecured rating to Baa3 from Ba2.

"The upgrade incorporates Moody's expectation that [Western Digital]'s financial policies will remain consistent with its goal of reducing leverage to 1.5x between 2019 to 2021," the agency said in a note on Tuesday.

Proceeds from the new convertible and the unsecured bond sale will be used for a tender offer for the 10.50% notes, redeem the company's secured 2023s and buy back shares.

CreditSights analyst Jordan Chalfin said in a note he would have bought the new notes at any yield above 4.375%, given the potential for an upgrade to investment-grade territory from the agencies.

S&P kept its BB+ unsecured rating on the company with a stable outlook, while Fitch affirmed the company at BB+ but revised the outlook to positive.

Bank of America Merrill Lynch was the lead-left on the trade.

EUROPE/MIDDLE EAST/AFRICA

ALGECO SCOTSMAN ESCHEWS EUROS, EXTENDS ROADSHOW

ALGECO SCOTSMAN has extended marketing for its jumbo refinancing trade over the weekend, a rarity in the high-yield market in recent times, while the €295m-equivalent senior unsecured portion of the financing will be issued in US dollars only.

The original offering memorandum had presented the deal as a five-trancher, with senior unsecured tranches in both euros and US dollars. The roadshow that started on January 26 was due to end on February 2 but has now been extended to February 5.

"It is building more slowly than the banks would hope. There is a path to getting it done but it will probably have to come a little wider," said one banker close to the deal.

The US company, which sells and leases mobile office buildings, is now seeking to raise €1.415bn-equivalent through four tranches comprising senior secured fixed-rate notes in euros and US dollars and a senior secured euro floater, in addition to the US dollar senior unsecureds.

Talk on the senior secured euro fixed-rate notes is 6.50%-6.75%, 8% area on the US dollar senior secured fixed-rates, 600bp-625bp over Euribor on the euro floater and 10% area on the US dollar senior unsecureds, in line with price whispers.

The potential unsecured euro note had been whispered at eight handle pricing, according to a second banker on the deal.

"The US market is generically better at riskier situations," said a portfolio manager.

"Some of the moves in bonds in Europe recently have been very severe, considering the level of news headlines," he said, pointing to the drop in VIRIDIAN's bond over the last two days.

The Irish energy company's outstanding bonds, issued in September, lost up to nine points last week, according to Tradeweb data, on news reports that the company plans to close two of its factories this year.

Bankers on the deal said the unsecureds were always meant to be issued in one currency only, given their small size.

"We've had constructive interest at constructive levels in US dollars, so we've seen that that's the way to go," said a second banker.

The deal will price on Monday, with a US West Coast roadshow added to the schedule on Friday. The company will meet investors in Milan and Amsterdam on Monday.

YIELD RETURNS TO HIGH-YIELD AS RATES SELL-OFF

Yields on European high-yield deals are creeping up as a sell-off in the underlying rates market pushes levels up, a change in fortunes for junk issuers that have enjoyed benign market conditions over recent times.

German industrial group KME, rated B3/B, set talk on a debut €300m five-year non-call two senior secured note at the 7% area. It later priced in line with that level.

KME is offering the highest reoffer yield on a Single B new issue in the European high-yield market since Almaviva priced a €250m senior secured 2022 note at 7.25% in September.

"This is the new reality; the last few weeks have shown that we're going back to a more traditional high-yield market with traditional high-yield deals," one syndicate banker said.

The iBoxx euro liquid high-yield index has widened 14bp since last Friday, now yielding 2.84%, according to Thomson Reuters data, compared with 1.99% in early November, its tightest level ever.

This year, euro and sterling new issues with a Single B rating from Moody's and S&P have offered an average coupon of 5.75%, compared with last year's 5.49%, according to IFR data. New issues across the rating spectrum have offered 4.81% on average, compared with 4.42% last year.

"We've seen weakness in cash price traded products such as [bank] AT1 and high-yield for example," said another syndicate banker.

"Some recent new issues are trading in the low 99s but are outperforming Bunds so it's not a disaster by any stretch but that market is much more driven by sentiment rather than spreads. That's where I'd probably have a note of caution."

THORNY CREDITS

It is not just the rates market backdrop that has weighed on deals, investors are also looking to be compensated for the riskier nature of the credits on offer.

In the case of KME, the deal was met with concerns around the company's size, business model and leverage level in particular.

Ebitda was €49.8m for the year ending on September 30, though adjusted Ebitda was €77m, mostly due to restructuring expenses.

And while its offered memorandum said it is 2.5x levered, Moody's analysts put the figure at 6.1x-6.3x as of 2017.

ALL NON-DOLLAR DENOMINATED HIGH-YIELD BONDS
1/1/2018 TO DATE

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	Morgan Stanley	2	580.43	12.0
2	Credit Suisse	5	402.49	8.3
3	Barclays	4	343.16	7.1
4	BNP Paribas	5	342.34	7.1
5	Deutsche Bank	4	313.01	6.5
6	Goldman Sachs	3	273.12	5.7
7	Lloyds Bank	3	261.46	5.4
8	JP Morgan	4	257.09	5.3
9	ING	2	226.42	4.7
10	UniCredit	2	190.55	3.9
	Total	**12**	**4,826.06**	

Excluding equity-related debt.

Source: Thomson Reuters SDC code: B6

ALL EUROPEAN HIGH-YIELD ISSUERS
1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Credit Suisse	7	722.00	8.3
2	Morgan Stanley	2	716.57	8.2
3	Citigroup	5	473.18	5.4
4	ING	3	463.89	5.3
5	BNP Paribas	5	421.34	4.8
6	Barclays	4	419.12	4.8
7	Deutsche Bank	4	383.31	4.4
8	JP Morgan	5	372.66	4.3
9	Goldman Sachs	3	334.36	3.8
10	Lloyds Bank	3	319.58	3.7
	Total	**17**	**8,725.92**	

Excluding equity-related debt.

Source: Thomson Reuters SDC code: B06c

Investors push back on covenant erosion

EUROPE HIGH-YIELD Drawing a line at payments in default

Investors who have had little success in pushing back against the erosion of covenant protections in the high-yield market are trying to draw the line at a clause that allows issuers to take money out of the business even when in default.

The no-default covenants, amended in at least three deals since the start of the year, would allow companies to pay dividends and make other distributions, known as restricted payments, even if they are in technical default.

"I think it's the combination of a term that issuers don't feel strongly about and investors do," said Sabrina Fox, head of European research at credit research firm Covenant Review.

French packaging firm ALBEA had to make amendments to the terms of its €150m 6.5-year non-call two senior holdco pay-if-you-can offering on Wednesday, the latest issuer to do so.

In January, Swiss vending machine operator SELECTA and British debt collector LOWELL had to remove the term from their documentation.

"It's so clear to investors the potential damage that this could cause during a time that you really don't want an issuer to have that much flexibility," Fox said. "Even if it's a technical default, you want them focused on curing the default."

CASE-BY-CASE ASSESSMENT

There is a growing understanding among investors that covenant risk should be assessed contextually, depending on the circumstances of the credit in question.

"It shouldn't be one-size-fits-all, but there should be differentiation," said one investor.

"For better-rated, large-cap structures, they may be able to support a more aggressive or lenient covenant structure. This should not be applied to the mid-market."

So far, the view has been that push-back occurs as a result of scepticism about the names and trades, and that challenged credits and deals are the ones expected to see meaningful push-back.

Well-liked credits continue to push through aggressive terms: the default clause sailed through in British gym operator PURE GYM and German real estate firm SUMMIT's trades in the same week as it was taken out from Selecta and Lowell.

"If an investor comes to us and says, I really don't want that covenant and I need it out, our duty then is to assess if that is a market view," said a syndicate banker involved with some of the trades.

"If it's just one guy and you have a 10 times subscribed book, it's very difficult to go to an issuer and tell them to make a change."

ESCAPE DOOR

Some question whether the weakness of the credit in question is the reason why the default provision is included in deals.

"It's as if the equity sponsor sees such a high probability of this going pear-shaped that it needs the escape hatches and second chances that these covenants provide the bottom of the capital structure," a second investor said of Selecta's deal.

But it is not just riskier credits that have tried to include this level of flexibility as crossover credit Summit's trade, rated Ba1/BBB-, showed.

"It's not even necessarily the case that there's an intention behind the term, but the intention is to take advantage of whatever flexibility is available," Fox said.

Buyside participants often say that the European high-yield market is highly precedent-driven, meaning that once a clause makes it into several deals, it very quickly becomes market standard.

"Which clauses make it in or out depends on which precedent documents the lawyers use when they start drafting the prospectus," the banker said.

"It's not that management teams, sponsors or banks sit down and say 'how do we use the clauses in a downside scenario?', but the precedent that they use."

The default provision was not the only one to see push-back last week, however. German metals group KME had to amend its definition of senior secured debt, which had originally included short-term financial receivables.

Yoruk Bahceli

Investors said this was because of the company's high pension deficit. Around €193m of the company's pension plans were unfunded as of the end of 2016, according to the notes' prospectus.

KME also had to amend its definition of senior secured debt, which had originally included short-term financial receivables. Analysts at Covenant Review had warned earlier in the week that this could have allowed the company to reduce its leverage ratio test for incurring secured debt and making restricted payments.

KME will use proceeds to repay a borrowing base facility and shareholder loans.

Goldman Sachs (B&D), *BNP Paribas* and *Deutsche Bank* are joint global coordinators on KME.

ALBEA FUNDS BUYOUT BY PAI PARTNERS

French packaging firm ALBEA priced a €150m 6.5-year non-call two senior holdco pay-if-you-can note at 6.75% to back its buyout by PAI Partners.

Pricing came at the tight end of 6.75%-7% talk.

The acquisition was agreed following a first, failed bid to sell the company in 2016 by private equity owner Sun Capital. The deal was supported by a US$470m equity injection by PAI Partners.

One investor said the sale process was less of an issue now that a buyer had been secured.

The most recent PIK note from a packaging issuer in the high-yield market is from Kloeckner Pentaplast, although Albea, with pro forma leverage at 5.3x, was seen as a better credit than Kloeckner, whose deal pushed leverage up to 8x.

Kloeckner's PIK was bid at 8.8% when Albea began marketing, but was at 9.7% at Wednesday's close, when Albea priced, according to Tradeweb data.

"We view the transaction as aggressive as it leads to a further increase in leverage at Albea less than a year after it upsized its debt in April 2017 and paid a debt-financed dividend to its former shareholder," S&P analysts wrote in a note, estimating that leverage would be about 7x for 2018.

Albea also had to amend its no-default covenant, which would have otherwise allowed it to make restricted payments even if it were in technical default.

While Albea's note is rated CCC+, the company is B2/B.

Deutsche Bank (B&D), *BNP Paribas*, *Credit Suisse* and *KKR* were joint bookrunners.

ELIS NAMES BANKS FOR SENIOR UNSECURED OFFERING

ELIS has mandated *BNP Paribas*, *Credit Agricole* and *HSBC* as global coordinators and *ING*, *Natixis* and *Societe Generale* as active joint bookrunners to arrange a series of investor meetings starting on February 5. *BBVA*, *Commerzbank*, *Mediobanca* and *MUFG* are passive bookrunners.

A euro senior unsecured benchmark transaction with expected maturities of five to eight years in one or two tranches will follow, subject to market conditions. Elis SA, guaranteed by MAJ, is the issuer, under Elis' new EMTN programme.

Proceeds will be used to refinance the bridge loan put in for the BERENDSEN acquisition.

ALL US$ DENOMINATED HIGH-YIELD BONDS
BOOKRUNNERS – 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Wells Fargo	18	2,681.30	10.4
2	JP Morgan	15	2,358.69	9.2
3	Credit Suisse	14	2,163.54	8.4
4	Citigroup	17	1,900.34	7.4
5	BAML	15	1,678.84	6.5
6	Morgan Stanley	9	1,550.08	6.0
7	Barclays	7	1,544.32	6.0
8	Deutsche Bank	10	1,481.06	5.8
9	Goldman Sachs	9	1,207.01	4.7
10	BNP Paribas	4	701.93	2.7
	Total	**43**	**25,712.84**	

Including US domestics, Euro, foreign, globals. Excluding equity-related debt.

Source: Thomson Reuters SDC code: B5

ALL INTL AUSTRALIAN DOLLAR BONDS
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total A$(m)	Share (%)
1	RBC	13	997.38	16.5
2	TD Securities	11	896.57	14.8
3	Daiwa Securities	7	744.13	12.3
4	Deutsche Bank	8	735.72	12.2
5	ANZ	4	600.60	9.9
6	Nomura	6	531.48	8.8
7	BAML	1	348.44	5.8
8	UBS	1	249.19	4.1
9	CBA	3	247.70	4.1
10	JP Morgan	3	148.03	2.4
	Total	**37**	**6,053.08**	

Including preferreds. Excluding equity-related debt.

Source: Thomson Reuters SDC code: K1

AUSTRALIAN DOMESTIC BONDS
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total A$(m)	Share (%)
1	CBA	6	4,946.12	23.2
2	ANZ	5	4,018.29	18.9
3	UBS	6	3,727.15	17.5
4	Deutsche Bank	3	2,862.57	13.5
5	Citigroup	2	2,639.51	12.4
6	National Australia Bank	7	1,695.95	8.0
7	Westpac	4	574.99	2.7
8	BAML	1	330.30	1.6
9	JP Morgan	1	239.51	1.1
=9	TD Securities	1	239.51	1.1
	Total	**13**	**21,273.87**	

Source: Thomson Reuters SDC code: AJ02

ALL ASIAN HIGH-YIELD ISSUERS
1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Citic	5	419.11	6.5
2	BAML	4	344.17	5.4
3	Bank of China	3	300.81	4.7
4	Citigroup	4	274.42	4.3
5	JP Morgan	2	251.85	3.9
6	Deutsche Bank	3	243.44	3.8
7	Goldman Sachs	2	238.97	3.7
8	Credit Suisse	3	230.13	3.6
9	Agricultural Bank of China	3	217.63	3.4
10	BNP Paribas	1	211.85	3.3
	Total	**14**	**6,425.70**	

Excluding equity-related debt.

Source: Thomson Reuters SDC code: B06d

ALL INTL SWEDISH KRONA BONDS
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total SKr(m)	Share (%)
1	Danske Bank	4	3,063.16	24.3
2	Swedbank	7	2,871.21	22.7
3	Nordea	2	1,182.86	9.4
4	BNP Paribas	1	991.15	7.8
5	Credit Agricole	3	855.25	6.8
6	SEB	1	746.21	5.9
7	JP Morgan	2	688.43	5.5
8	HSBC	1	505.57	4.0
9	Handelsbanken CM	1	408.54	3.2
10	DNB	1	400.00	3.2
	Total	**19**	**12,626.65**	

Including preferreds. Excluding equity-related debt.

Source: Thomson Reuters SDC code: K16

ALL INTL CANADIAN DOLLAR BONDS
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total C$(m)	Share (%)
1	BMO	4	823.37	25.2
2	BAML	2	696.68	21.4
3	TD Securities	4	500.88	15.4
4	HSBC	3	499.19	15.3
5	RBC	3	375.88	11.5
6	CIBC	3	301.36	9.2
7	Natl Bank of Canada Fin'l	2	51.40	1.6
8	Scotiabank	1	1.69	0.1
=8	Echelon Wealth Partners	1	1.69	0.1
=8	Desjardins Securities	1	1.69	0.1
	Total	**6**	**3,262.24**	

Including preferreds. Excluding equity-related debt.

Source: Thomson Reuters SDC code: K2

SCIENTIFIC GAMES BRINGS EURO DEBUT

SCIENTIFIC GAMES sold a €575m dual-trancher last week to redeem US dollar debt - its debut in the European high-yield market.

The company priced a €325m eight-year non-call three senior secured note at 3.375% and a €250m eight-year non-call three senior unsecured at 5.5%.

The secureds are rated Ba3/B+ while the unsecureds are rated Caa1/B-. The issuer is rated B2/B.

"They have some European businesses so it made sense to match off European revenues with European debt," said a banker on the deal.

Scientific Games derived about 32% of its revenues from sales outside the US in 2016.

"Even pro forma for this deal, only 7% of their debt stacking is in euros, so it's still pretty low," the banker added.

The company is an established US dollar borrower, with US$7.5bn of bonds outstanding, according to Thomson Reuters data.

"Against a competitor set that has heightened regulatory and concentration risks, Scientific Games stands out for its free cash flow generation and diversification," CreditSights analysts wrote in a note.

The most recent gaming company out in the European high-yield market was Germany's Loewen Play, which brought a €350m senior secured 2022 note at 5.375% despite concerns about the impact of German gaming regulations.

The offering came in conjunction with a US$900m tap of the company's 5% senior secured notes due 2025, upsized from US$500m.

Deutsche Bank (B&D), *JP Morgan*, *Bank of America Merrill Lynch*, *Fifth Third*, *Credit Suisse*, *Citizens*, *PNC*, *Macquarie* and *Goldman Sachs* are joint bookrunners.

STRUCTURED FINANCE

EMEA MBS

SILVERSTONE EXPLORING MIX OF MATURITIES IN DOLLARS AND STERLING

NATIONWIDE BUILDING SOCIETY announced a return to its SILVERSTONE prime RMBS vehicle on Wednesday. The deal will be the second this year to offer dollars alongside sterling and looks set to push dollar issuance back out to longer maturities.

The announcement says Nationwide will explore issuance from its Silverstone master trust in the two currencies at three to five year maturities.

It will also consider a longer-dated fixed rate sterling tranche, likely targeting pension fund and insurance company money.

Last month Clydesdale Bank's Lanark RMBS sold a short dollar tranche at just under two years, as well as a five-year sterling note. Pricing was 42bp over the respective dollar and sterling Libor benchmarks.

The sole dollar UK RMBS to be priced in 2017, Virgin Money's Gosforth 2017-1, had used a similar structure, selling 1.87-year dollars and 4.85-year sterling bonds.

In 2016 Nationwide sold a three-currency Silverstone RMBS, offering dollars and sterling at three years and euros at five years.

The new deal has been mandated to *Barclays*, *BAML*, *Citi* and *HSBC*. US and London roadshow meetings are available this week.

ALL EUROPEAN ISSUERS
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Cooperatieve Rabobank	1	1,309.36	18.4
=1	SG	1	1,309.36	18.4
3	Citigroup	3	806.44	11.4
4	BNP Paribas	3	766.94	10.8
5	Lloyds Bank	4	717.42	10.1
6	BAML	2	293.85	4.1
7	UniCredit	1	284.10	4.0
=7	DZ Bank	1	284.10	4.0
=7	ING	1	284.10	4.0
=7	BBVA	1	284.10	4.0
	Total	**8**	**7,100.73**	

Includes securitisations, credit-linked notes (Euro, foreign, global and domestics) and excludes CDOs.

Source: Thomson Reuters SDC code: B16n

ALL INTL ISSUERS (EXCLUDING SELF-FUNDED)
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	JP Morgan	8	2,293.95	12.4
2	BAML	6	1,741.02	9.4
3	Cooperatieve Rabobank	1	1,309.36	7.1
=3	SG	1	1,309.36	7.1
5	Citigroup	6	1,206.08	6.5
6	BNP Paribas	4	1,016.90	5.5
7	Wells Fargo	4	889.82	4.8
8	Credit Suisse	6	852.72	4.6
9	Morgan Stanley	1	807.32	4.4
10	BMO	3	794.92	4.3
	Total	**29**	**18,524.48**	

Includes securitisations, PFI bonds and credit-linked notes. Excludes US global ABS/MBS, CDOs and self funded issues.

Source: Thomson Reuters SDC code: J10d

GLOBAL SECURITISATIONS IN STERLING
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total £(m)	Share (%)
1	Citigroup	3	531.28	24.0
2	BNP Paribas	3	507.47	23.0
3	Lloyds Bank	4	464.49	21.0
4	JP Morgan	1	175.00	7.9
5	HSBC	1	157.14	7.1
6	BAML	2	156.16	7.1
7	RBC	1	133.33	6.0
8	Natixis	1	84.91	3.8
	Total	**6**	**2,209.78**	

Including Euro, foreign, global and domestics, excluding CDOs.

Source: Thomson Reuters SDC code: B16i

GLOBAL STRUCTURED FINANCE IN EUROS
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	Cooperatieve Rabobank	1	1,074.57	35.1
=1	SG	1	1,074.57	35.1
3	UniCredit	1	229.12	7.5
=3	BBVA	1	229.12	7.5
=3	DZ Bank	1	229.12	7.5
=3	ING	1	229.12	7.5
	Total	**2**	**3,065.60**	

Includes securitisations, credit-linked notes (Euro, foreign, global and domestics) and excludes CDOs.

Source: Thomson Reuters SDC code: B16g

CLIFDEN NOT BACKING DOWN DESPITE PARATUS CALL

Real estate investor CLIFDEN said on Monday that its hostile tender offer for legacy RMAC bonds, part of a wider £2bn offer for non-conforming RMBS serviced by Fortress-backed PARATUS AMC, remains open.

Earlier this year Clifden announced a tender for all bonds issued under the RMAC and RMACS series. Paratus then said it would call the RMAC deals on March 12, their next interest payment dates. The RMACS deals are not yet callable.

Clifden's tender offer was widely seen as a bid to seize control of the special purpose vehicles and their underlying mortgages from Paratus. The decision to call by Paratus was itself interpreted by market participants as an attempt to prevent that happening.

Monday's statement by Clifden acknowledges the call announcement, but said the offer remained open, and restated the timetable for the offer.

The early tender deadline was January 26, the final deadline is March 7, the results are to be announced one day later on March 8, and the settlement date is March 12, the same day as the RMAC deals are due to be redeemed by Paratus.

BLACKSTONE ITALIAN CMBS DUE THIS WEEK

A two-day site visit for BLACKSTONE Italian CMBS PIETRA NERA UNO ended on Friday and a pricing is expected at the end of this week.

The capital structure is due out early this week. It will show five tranches of rated notes and one unrated Class Z. The notes will have an initial expected maturity of May 2020, and there are three extension options of one year each.

The deal refinances two loans currently securitised in outstanding Blackstone Italian CMBS deals, and there is also a third loan included in the portfolio.

Deutsche Bank is lead manager.

EMEA ABS

VW'S DRIVER ESPANA FIVE STEERS SPREADS TIGHTER

VOLKSWAGEN FINANCIAL SERVICE's latest Spanish auto ABS took advantage of limited supply in euros to haul spreads to levels far inside its previous deal from the country.

Excluding leveraged loan CLO issuance, the deal is just the second securitisation in euros this year, after €2.1bn Dutch RMBS Storm 2018-I, which came in the second week of January.

The new issue, DRIVER ESPANA FIVE, was priced on Tuesday. It sold seniors 2.8x covered at a discount margin of plus 24bp, which is 14bp tighter than the plus 38bp print on the equivalent tranche from its May 2017 transaction.

The mezzanine notes came 6.2x subscribed at plus 54bp, compared with plus 75bp in May.

Like the last deal, it was initially announced at around €750m before an increase in size to around €1bn in total. The Class A, rated Aa2/AA+ (M/S) and with a 1.71-year WAL, weighed in at €888m. It has coupon of one-month Euribor plus 40bp and was priced at 100.277.

The Class B is rated A2/AA– and sized at €26m, for a 3.06-year WAL. It was priced at par.

The deal was roadshowed the previous week from Wednesday to Friday. On Thursday IPTs were released at plus high 20s on the senior notes and plus mid 60s on the mezzanine.

On Monday morning formal guidance was plus 27bp area and plus 60bp area, later refined to plus 25bp area and plus 55bp, both +/–1bp and to price in range.

At the bottom of the capital structure is a €51m unrated subordinate tranche, which was retained.

Distribution stats for the Class A showed investors from Germany buying 37%, France 28%, Spain 15%, the Benelux region 9%, the UK 7% and others 4%. Asset managers accounted for 51%, banks 30%, CB/OI 11%, insurance and pension funds 6% and others 2%.

On the Class B, Benelux investors bought 37%, France 20%, UK 19%, Italy 15%, Germany 5% and Spain 4%. Asset managers were 71% of the book and insurance and pension funds 29%.

There are 106,189 loans in the portfolio, with an average discounted principal balance of €11,773. The WALs assume 4% delinquencies, 2% gross losses, 0.32% write-off, 10% clean-up call exercised and 5% CPR.

The WA contract interest rates are 10.17%, WA original term 57.84 months, WA remaining term 48.75 months, and WA seasoning 9.1 months. There are no balloon payments securitised and no replenishment period.

DZ and *ING* were joint leads. ING, DZ, BBVA and UniCredit were placement agents.

LEASEPLAN TURNS TO FRANCE FOR LATEST BUMPER AUTO LEASE ABS

LEASEPLAN CORP is in the market with its first public securitisation of auto leases from

Life yet in US CMBS

UNITED STATES **Sector shows resilience in face of retail woes**

New structures and increased vigilance has helped US CMBS to withstand the retail sector meltdown and players are looking forward to another year of robust business with volumes only a little below 2017's tally.

Last year primary CMBS volumes exceeded expectations to touch US$85bn and while this year supply is projected at US$70bn this is down to a smaller refinancing requirement rather than retail woes.

Those woes were caused partly by unbridled expansions and a sharp increase in the adoption of e-commerce driven by online giant Amazon, that forced traditional retailers to significantly reshape their business models.

Top tenants and big-box retailers like **SEARS**, **MACY'S** and **JC PENNEY** shut locations, and many franchises filed for bankruptcy.

And these headlines hit CMBS hard as many deals were heavily exposed to retail.

"The incredibly negative CMBS market reaction to the retail sector early last year or so was a knee-jerk reaction as investors became more fully aware of the risks," said Alan Todd, CMBS strategist at Bank of America Merrill Lynch.

But prices on Triple B minus and Double B CMBX 6 and 7 series – that have substantial retail concentrations – after hitting a low of 73–87 in the fourth quarter last year are now around 90.

"The CMBS market has gone through a structural shift in that spreads of deals that were most impacted by retail bankruptcies have repriced and new deals are structured to satisfy the changed investor mindset towards the sector," Todd added.

As such, the disruption in the sector pushed investors to increase their focus on due-diligence, differentiate between collateral and then use it as an opportunity to grab some yield while the retail sector consolidates.

The percentage that retail collateral in new CMBS accounts for is now just 20%-25% compared with much as 50% in previous years.

Clearly this reduction could affect the use of CMBS as a platform for a number of mall owners and REITs.

"Limits [on collateral composition] make it difficult for issuers to fill out pools with the few remaining property types that investors readily accept," said Kevin Mammoser, senior vice-president at DBRS.

"This changed mindset on retail might not impact overall CMBS volumes in 2018, however, because many of these concerns have already manifested in structures."

CLEAR DIFFERENTIATION

"There is a tendency to paint the whole retail sector with the same brush but increased research at deal launch and ongoing surveillance provides investors the means to differentiate within the sector," said Huxley Somerville, head of US CMBS at Fitch Ratings.

Preference was being shown for malls that had a mix of high-scale restaurants, theatres or establishments that got people out of their homes, into these malls and kept them there.

Retail businesses such as furniture warehouses or grocery stores that still seemed relatively unscathed by the rise in e-commerce were also getting attention as were lower-margin retailers, including those covering autos and the pets business.

The industrial market is also seen as especially attractive now, as e-commerce has positively affected distribution centres and warehouses.

And the approach has worked so far. Trepp data show CMBS delinquency rates in January were 4.83%, a decrease of six points from December. The rate has declined each month since June 2017. In retail, the delinquency rate was 6.3%, higher than December's 6.13% but lower than 6.79% in November.

STILL ENGAGED

Short-sellers placed heavy bets against the retail sector via the CMBX 6 index in particular but the trade has not been very successful so far.

"Writers of insurance were already looking at the risks of the CMBS pools much more conservatively post-crisis, and this led them to charge accordingly – knowing some sort of unanticipated risk would emerge," said Trepp senior managing director Manus Clancy.

According to Clancy, Trepp thinks there is a fairly even number of long versus shorts in CMBX.

A December Trepp report noted only 40 retail loans in deals tied to the CMBX 6 and 7 series have paid off, and four incurred losses totalling US$4.3m.

Each of those notes disposed was in the 6 series while no losses were attributed to deals tied to CMBX 7.

Shankar Ramakrishnan

French subsidiary LeasePlan France. The deal will be the 10th off the Bumper series, which has previously securitised assets from the Netherlands, the UK and Germany

BUMPER 10 is offering €483.2m Triple A notes with a 1.87-year WAL. The coupon is already set at one-month Euribor plus 40bp and is expected to price above par. A €40.8m Class B is also being offered, rated Aa3/AA and with a 2.81-year WAL.

A roadshow started on Friday and ends on Tuesday with pricing expected later this week. The joint leads are *BNP Paribas* and *SG*.

The portfolio has a one-year revolving period. It pools 40,817 lease contracts with an aggregate discounted balance of €653m. Diesel vehicles account for 94% of the leases.

Corporate customers make up 76% of the portfolio, with SMEs at 22% and government and retail making up the rest. WA seasoning is 14.8 months and the WA remaining term is 27.8 months. The top 10 lessees make up 17.1%. More than 99% are new vehicles.

The residual value component of the portfolio is high at 55%. LeasePlan France will serve as RV guarantor, meaning it will pay the difference between the estimated RV amount and the amount actually realised.

VW FINANCIAL SERVICES STRUCTURES DRIVER TURKEY MASTER

Turkish auto loan originator **VOLKSWAGEN DOGUS FINANSMAN**, which is 51% owned by Volkswagen Financial Services, is readying a private placement of its first auto ABS. *SMBC Nikko* is arranger and lead manager for the deal, **DRIVER TURKEY MASTER S.A.**

The securitisation is structured as a revolving master vehicle. The first issue has provisional ratings from Moody's of Baa1 for its Class A notes. These are sized at TL1.5bn (US$396m). There is also an unrated portion of subordinate notes sized at TL440m.

The initial portfolio holds 65,554 auto loans, with a new/used split of 94.7%/5.3%. Retail customers make up 74.7%, SMEs 22.9% and corporates 2.4%. The WA portfolio interest rate is 14.23%.

The deal is expected to close in the first half of the year.

EMEA CLO

HSBC SYNTHETIC CLO METRIX DOWNGRADED AFTER TAKING CARILLION HIT

Moody's has downgraded provisional ratings on an unfunded CDS from an HSBC CLO hit by the collapse of Carillion. Carillion went into liquidation in January.

The CLO is **METRIX PORTFOLIO DISTRIBUTION PLC**. Although the CLO was closed in 2015, the Moody's ratings on three of its CDS remain provisional because the swaps have not been executed.

One swap was executed: a junior, unrated layer sitting below the other three and sized to

US ASSET-BACKED SECURITIES
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Citigroup	10	5,346.40	20.8
2	JP Morgan	10	2,941.43	11.4
3	BAML	8	2,604.00	10.1
4	RBC	5	2,311.73	9.0
5	MUFG	5	1,836.85	7.1
6	Deutsche Bank	7	1,478.17	5.8
7	Barclays	5	1,388.48	5.4
8	Mizuho	4	1,279.05	5.0
9	BMO	4	1,171.67	4.6
10	Wells Fargo	6	1,155.68	4.5
	Total	**31**	**25,703.53**	

Excludes MBS.

Source: Thomson Reuters SDC code: F14

GLOBAL STRUCTURED FINANCE IN US$
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	JP Morgan	22	7,076.71	13.4
2	Citigroup	17	7,003.83	13.3
3	BAML	16	4,725.51	9.0
4	Morgan Stanley	8	4,066.76	7.7
5	Wells Fargo	15	4,025.02	7.6
6	Credit Suisse	11	3,673.29	7.0
7	RBC	7	2,861.09	5.4
8	Goldman Sachs	10	2,812.41	5.3
9	Deutsche Bank	10	2,570.26	4.9
10	Nomura	7	2,528.85	4.8
	Total	**89**	**52,761.03**	

Including securitisations (Euro, foreign, global and domestics, excluding CDOs) and PFI bonds.

Source: Thomson Reuters SDC code: B16b

STRUCTURED FINANCE – ALL INTL ISSUERS
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	JP Morgan	8	2,293.95	11.8
2	BAML	6	1,741.02	8.9
3	Cooperatieve Rabobank	1	1,309.36	6.7
=3	SG	1	1,309.36	6.7
5	RBC	3	1,264.53	6.5
6	Citigroup	6	1,206.08	6.2
7	Wells Fargo	5	1,071.88	5.5
8	BNP Paribas	4	1,016.90	5.2
9	Credit Suisse	6	852.72	4.4
10	Morgan Stanley	1	807.32	4.1
	Total	**31**	**19,456.52**	

Includes securitisations, PFI bonds, self-funded issues and credit-linked notes. Excludes US global ABS/MBS and CDOs.

Source: Thomson Reuters SDC code: J10c

absorb the first 6.5% of losses on the underlying portfolio of US$5bn corporate loans.

A loan to Carillion features in the portfolio and its default hit that junior CDS, wiping out some of the support it provides to the tranches above it.

That has caused Moody's to downgrade the US$375m Class C from Baa2 to Baa3 (both provisional). The Classes A and B are not affected and were affirmed by Moody's.

US MBS

US CMBS AND RMBS DEAL PRICINGS

Just one CMBS priced during the week.

FREDDIE MAC SPC K-I01

FREDDIE MAC priced a US$502.611m multi-family floating rate agency CMBS called **FREMF SPC SERIES K-I01**. *Wells Fargo* and *JP Morgan* are the joint bookrunners.

Collateral: 21 subordinate liens backed by 21 properties.

Largest tranche: Class A US$502.611m, with 3.81-year WAL, rated Triple A; priced at one-month Libor plus 16bp.

US ABS

SHORT-DATED ABS IN DEMAND

US ABS flew off the shelves and priced way below guidance last week, spurring optimism about the fundamentals of the various businesses securitising auto loans, unsecured consumer loans, equipment receivables and data centres.

Demand was strong across the board, with particular attention being paid to lower-rated tranches in the capital stack that had a bit more pick-up in yield. And this enabled tight ABS pricing even as the broader market adjusted to an expected tick upwards in interest rates.

"The underlying credit fundamentals are very supportive of ABS at the moment but one of the drivers is the shorter maturities on these tranches (WALs on the lowest-rated tranches are up to 3.5 years)," said one senior banker.

"With rates expected to rise, the investors seem to be adopting a defensive posture by increasing their exposure to such short-dated securities."

Indeed many of the ABS last week priced up to 10bp below their guidance levels, which some bankers said was unique.

"You don't typically see the kind of pricing movements we now see in the market," said another banker.

Notable in the week's flow was **SOCIAL FINANCE**'s US$734.825m unsecured consumer loan ABS, which was increased in size from an initial US$561.9m.

Four tranches were on offer and although the highest Double A rated tranche with a 0.99-year WAL priced at the tight end of guidance at EDSF plus 50bp, the others lower down the stack had spreads that were inside guidance.

The final spreads were also way inside the levels on the company's November deal, which had a similar structure.

The SCLP 2018-1's Class Bs (rated A/A/A) with a 4.28-year WAL priced at swaps plus 115bp or inside 120bp-130bp guidance, and 45bp below SCLP 2017-6's Bs of 4.7 years at 150bp.

Similarly **UNITED AUTO** priced a US$171.73m sub-prime auto ABS transaction, which again priced inside guidance and where its last deal priced. As did **WORLD OMNI**, which increased the size on its deal to US$1bn from US$801m.

The pipeline includes equipment loans and leases, and they could get a similar reception, said bankers.

Net losses have ticked up recently in equipment ABS, which account for half of commercial ABS volume, and could rise in 2018, but are likely to remain low and stable, said a S&P report last week.

"Combined with the upcoming significant corporate tax rate reductions, we expect stable credit quality for the sector in 2018," the report said.

S&P expects commercial ABS issuance volumes in 2018 of US$30bn-$35bn, in line with US$31bn last year as real GDP and equipment investment are forecast to grow, given lower corporate rates and the immediate expensing of equipment made possible under the new tax code.

"While this new code also limits non-interest expense deductibility, we expect the overall effect on commercial ABS volume to be tempered," it said.

In focus next week and further testing demand for esoterics will be **VANTAGE DATA CENTERS**' US$1.1bn ABS, which securitises primarily real estate and tenant lease payments for space in six completed and operating wholesale data centres in Silicon Valley and the Pacific Northwest.

Guggenheim is structuring lead and bookrunner with *Barclays* and *Deutsche Bank*.

INVESTORS EMBRACE TESLA'S DEBUT IN ABS MARKET

Name recognition and a robust primary market helped ensure an overwhelming reception Thursday for investor darling **TESLA**'s debut auto-loan securitisation.

Order books were 7.3 times the size of the US$546.05m transaction, again underscoring the buyside's warm embrace of the innovative electric-car maker.

One tranche was nearly 19 times covered at the time of guidance, a market source

said, though that had dropped to 13.4 times after pricing was ratcheted in 15bp.

"The transaction was met with robust investor enthusiasm, driven by the high-profile name and broad interest in inaugural transactions," one syndicate banker told IFR.

The bulk of the deal was in the Class A US$422.61m Aaa rated tranche, which has a 0.84-year weighted average life. It priced at EDSF plus 30bp, some way inside guidance of 40bp-43bp.

Orders for that piece were about US$2.3bn, making it 5.5 times covered, according to one source.

The Class Bs (Aa2) were 15.5 times covered; the Class Cs (A2) 13.4 times covered; the Ds (Baa2) 10.7 times; and the Es (Ba3) 12.9 times, the source said.

The large money managers that are traditional ABS buyers came to the deal with as much as US$100m in single orders, according to the source.

"Broadly the market has been highly supportive for esoteric ABS deals," said Gil Libling, portfolio manager at Semper Capital Management.

"At its core this is an auto deal with an overlay of nuances specific to Tesla, which makes it unique."

EXTRA COLLATERAL

The syndicate banker noted in particular the deal's credit enhancement, "which was more than what is seen in the wider group of auto lease ABS by prime issuers".

According to a Moody's report the enhancement includes overcollateralization of 10.20% of the initial pool balance, which will increase to 12.20%; a reserve fund of 0.75% of pool balance; and 20.30% in subordinated notes.

These levels will grow as the pool amortises, which would act as additional credit enhancement for all notes, the rating agency said.

The high credit quality of the lessees, who have a weighted average FICO score of 767, was another positive.

But Moody's noted risks associated with the limited data available on the residual value of electric vehicles - what they may be worth once the leases expire.

"It seemed like many investors participated based on the novelty of the collateral and name recognition of the issuer," said Peter Kaplan, portfolio manager at Merganser Capital Management.

"However we felt that there were several areas of concern. Namely insufficient data on the residual values, a limited history of originating leases by the finance company - and the fact that the sponsor is not profitable."

Even though the deal is offering pick-up over other auto ABS trades of late, "these levels didn't provide enough compensation" for the risks, he said.

Joint bookrunners on the deal were *Citigroup* and *Deutsche Bank* who also acted as co-structurers.

US ABS DEAL PRICINGS

Issuance activity in the US ABS market was red-hot last week, led by a stellar auto loan ABS debut by Tesla. Continued strong investor demand is encouraging more companies to come to the market.

Below is a summary of ABS pricings last week.

GLOBAL LENDING SERVICES LLC

GLOBAL LENDING SERVICES priced a 144A/Reg S US$266.450m sub-prime auto ABS deal, **GLS AUTO RECEIVABLES TRUST (GCAR) 2018-1**. *Deutsche Bank* was structurer and, alongside *Wells Fargo*, joint books.

Collateral: Sub-prime retail automobile instalment sales contracts secured by new and used automobiles, light-duty trucks, and vans.

Largest tranche: Class A US$206.910m, with 1.07-year WAL, rated Single A; priced at EDSF plus 75bp.

SOCIAL FINANCE

SOFI priced an upsized US$734.825m (increased from US$561.925m) unsecured consumer loan ABS deal called **SCLP 2018-1**. Structurer was *Deutsche Ban*k and, alongside *Goldman Sachs*, *JP Morgan* and *Mizuho*, joint bookrunners.

Collateral: Fixed-rate (98.7%) and variable-rate (1.3%) unsecured consumer loans

Largest tranche: Class A1 US$397.1m, with 0.99-year WAL, rated AA/AA/AA+; priced at EDSF plus 50bp versus guidance at EDSF plus 50bp-55bp.

Direct comp: SCLP 2017-6 (11/07/17) Class A US$387.65m, with 0.99-year WAL; rated AA/AA/AA+; priced at EDSF plus 57bp.

TESLA FINANCE

TESLA priced a 144A/Reg S US$546.1m (no grow) inaugural prime auto lease ABS transaction called **TESLA AUTO LEASE TRUST (TESLA) 2018-A** via *Citigroup* and *Deutsche Bank*.

Collateral: Closed-end prime retail automobile leases originated by TFL.

Largest tranche: Class A US$422.61m, with 0.84-year WAL, rated Triple A; priced at

GLOBAL CDOs
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Citigroup	4	1,962.10	65.5
2	Deutsche Bank	1	632.95	21.1
3	Credit Suisse	1	402.38	13.4
	Total	6	2,997.42	

Including Euro, foreign, global, US domestics.

Source: Thomson Reuters SDC code: B12

SECURITISATIONS – ALL EUROPEAN RMBS
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	Cooperatieve Rabobank	1	1,074.57	24.2
=1	SG	1	1,074.57	24.2
3	Citigroup	3	661.91	14.9
4	BNP Paribas	2	483.02	10.9
5	Lloyds Bank	3	437.24	9.8
6	BAML	2	238.59	5.4
7	JP Morgan	1	198.65	4.5
8	HSBC	1	178.89	4.0
9	Natixis	1	96.34	2.2
	Total	6	4,443.79	

Including Euro, foreign, global and domestics, excluding CDOs.

Source: Thomson Reuters SDC code: B10a

NEW ASSET-BACKED SUMMARY DETAILS: WEEK ENDING 2/2/2018

Issuer	Amount (m)	WAL	Coupon (%)	Bookrunner(s)	Rating	Asset type
Driver Espana Five	€888	1.71	1mE+40bp	ING/DZ Bank/BBVA/UniCredit	Aa2/AA+/NR	ABS
Driver Espana Five	€26	3.04	1mE+54bp	ING/DZ Bank/BBVA/UniCredit	A2/AA−/NR	ABS
GCAR 2018-1	US$206.91	1.07	2.820	Deutsche Bank/Wells Fargo	NR/A/NR	ABS
GCAR 2018-1	US$34.98	3.03	3.520	Deutsche Bank/Wells Fargo	NR/BBB/NR	ABS
GCAR 2018-1	US$24.56	3.36	5.020	Deutsche Bank/Wells Fargo	NR/BB/NR	ABS
SCLP 2018-1	US$397.1	0.99	2.550	Deutsche Bank/Goldman Sachs/JP Morgan/Mizuho	NR/AA/NR	ABS
SCLP 2018-1	US$177.65	2.83	3.140	Deutsche Bank/Goldman Sachs/JP Morgan/Mizuho	NR/AA/NR	ABS
SCLP 2018-1	US$100.7	4.28	3.650	Deutsche Bank/Goldman Sachs/JP Morgan/Mizuho	NR/A/NR	ABS
SCLP 2018-1	US$59.375	4.81	3.970	Deutsche Bank/Goldman Sachs/JP Morgan/Mizuho	NR/NR/NR	ABS

EDSF plus 30bp versus guidance at EDSF plus 40bp-43bp and whispers at low-mid EDSF plus 40bp.

UNITED AUTO CREDIT

UNITED AUTO priced a US$171.73m sub-prime auto ABS transaction called UNITED AUTO CREDIT SECURITIZATION TRUST (UACST) 2018-1. *JP Morgan* (structuring lead) and *Wells Fargo* were joint bookrunners.

Collateral: Sub-prime auto loan receivables.

Largest tranche: Class A US$78.84m, with 0.54-year WAL, rated Triple A; priced at EDSF plus 35bp versus guidance at EDSF plus 37bp-39bp.

Direct comp: UACST 2017-1 (6/6/17) Class A US$69.2m, with 0.51-year WAL, rated Triple A; priced at EDSF plus 60bp.

WORLD OMNI

WORLD OMNI priced an upsized US$1bn (from US$800.97m) prime auto loan ABS deal for WORLD OMNI FINANCIAL (WOART 2018-A). Joint leads were *Wells Fargo* (structuring), *Bank of America Merrill Lynch*, *Mitsubishi-UFG*, and *Suntrust*.

Collateral: Prime retail auto loan receivables.

One of the largest tranches: Class A3 US$272m, with 2.65-year WAL, rated Triple A; priced at Interpolated swaps plus 12bp versus guidance at swaps plus 14bp-16bp.

Direct comp: WOART 2017-B (7/25/17) Class A-3 US$229m, with 2.95-year WAL; rated Triple A; priced at plus 22bp.

ASIA-PACIFIC MBS

NAB SET FOR GREEN RMBS DEBUT

NATIONAL AUSTRALIA BANK has released price talk for an indicative A$750m securitisation through National RMBS 2018-1, including the first Green RMBS tranche in Asia Pacific.

The self-led offering of Australian dollar RMBS, due to be launched this week, includes Class A1G notes, expected to be certified as climate bonds under the Climate Bonds Initiative standards.

Guidance for the standard A$577.5m Class A1A notes and the A$112.5m Class A1G notes, each with a weighted-average life of 3.0 years, is 88bp area over one-month BBSW.

For the A$26.25m Class A2s, A$17.25m Class Bs, A$6m Class Cs, A$5.25m Class Ds, A$3m Class Es and A$2.25m Class Fs, all with 5.7-year WALs, respective price talk is one-month BBSW plus 135bp area, 185bp area, 235bp area, 335bp area, 455bp area and 575bp area.

RMBS AUCTION RAISES A$361.6m

The AUSTRALIAN OFFICE OF FINANCIAL MANAGEMENT raised A$361.6m from last Tuesday's third auction under its revamped RMBS disinvestment policy.

The AOFM sold A$126.5m of the Apollo 2010-1 A2 notes, A$91.3m of the Puma P-16 A3 notes, A$81.9m of the Reds 2009-1 A1 notes, A$13.5m of the Torrens 2010-1 A notes and A$48.4m of the Torrens 2011-2 A2 notes.

All the notes were sold at the respective lowest accepted prices of 100.505, 100.493, 100.755, 100.460 and 100.845.

At its first revamped RMBS auction on November 23, the AOFM raised A$394.5m from the sale of seven securities. It raised A$439.2m from the second auction of five securities on December 14.

In May 2015, the Australian government ordered the AOFM to sell down its RMBS holdings of A$4.6bn, in amortised face value terms, to lift its coffers and increase liquidity in these instruments.

The AOFM initially targeted monthly sales of A$300m–$500m in AFV terms, but, in June 2015, raised A$160m through the first auction and, in September, sold only A$78m.

In October 2015, the AOFM either accepted no bids or received none before cancelling planned November and December auctions and finally abandoning the initial programme in February 2016.

The AOFM, saying the auction revival reflected the improvement in RMBS market conditions, made three key changes to the process.

It now discloses a reserve price and no longer gives notice of the forward auction pipeline, while the level sold is the amount offered at or above the reserve price, subject to sufficient volume.

Between 2008 and 2013, the AOFM supported the country's mortgage market in earmarking a total of A$20bn for purchases of non-major bank-originated RMBS, eventually buying A$15.5bn.

IFR MARKETS

Get the full depth of IFR Markets Real-Time Credit, Rates and Forex coverage, including Alerts, Customisable Landing Page, Search, and more ...

Available on Thomson Reuters Eikon and IFRMarkets.com

Request a Free Trial:
IFR.ClientSupport@thomsonreuters.com

GLOBAL BOND SUMMARY DETAILS: WEEK ENDING 2/2/2018

Pricing date	Issuer	Amount	Maturity	Coupon (%)	Reoffer	Spread (bp)	Yield (%)
SSAR							
US DOLLARS							
Jan 30 2018	KBN	US$700m	Mar 12 2021	3mL+4	100	3mL+4	-
Jan 31 2018	NWB	US$1bn	Aug 9 2019			3mL+2	-
Feb 1 2018	EDC	US$1bn	Feb 10 2020	2.3	99.988	MS-4, T+15.65	2.306
EUROS							
Jan 29 2018	CEDB	€250m incr (€1.25bn)	Oct 27 2022	0.375	100.935	MS-26, B+21.3	0.176
Jan 30 2018	The EU	€2.4bn	Apr 4 2025	0.5	99.692	MS-23, B+21.2	0.544
Jan 30 2018	FADE	€1.5bn	Mar 17 2023	0.5	99.529	BONOs+15	0.594
Jan 30 2018	NRW	€400m incr (€900m)	Feb 16 2043	1.45	95.966	MS+8, B+45.1	1.648
Jan 30 2018	SFIL	€1bn	Feb 6 2026	0.75	99.483	OATs+20	0.817
Jan 31 2018	EIB	€250m incr (€1.25bn)	Nov 13 2037	0.5	86.039	MS-18.5, B+27.5	1.306
Jan 31 2018	CDP	€750m	Feb 7 2026	1.875	99.845	MS+103	1.896
STERLING							
Jan 30 2018	EIB	£500m incr (£1.5bn)	Sep 21 2026	1	95.031	G+26	1.616
Jan 30 2018	Muni Fin	£350m	Dec 7 2022	1.25	99.758	G+33	1.298
NON CORE							
Jan 24 2018	NRW.BANK	A$30m incr (A$160m)	May 8 2028	3.5	99.314	ASW+70, ACGB+77	3.58
Jan 26 2018	KfW (Green)	SKr5bn	Feb 2 2028	1.375	-	-	-
Jan 29 2018	BNG	A$200m incr (A$630m)	Jul 17 2028	3.3	98.026	ASW+60, ACGB+68.25	3.528
Jan 30 2018	Queensland	A$2bn	Feb 7 2022	3mBBSW+14.5	100	3mBBSW+14.5	
Jan 30 2018	Queensland	A$500m incr (A$2.848bn)	Jul 21 2028	3.25	99.297	EFP+46, ACGB+46.5	3.33
Jan 30 2018	NTTC	A$70m incr (A$225m)	Nov 21 2042	4.1	98.124	ACGB+90	4.223
Jan 30 2018	AfDB	A$360m	Aug 8 2028	3.35	99.737	ASW+45, ACGB+51.75	3.38
Jan 30 2018	Ontario	C$750m incr (C$7.65bn)	Jun 2 2027	2.6	97.883	GOC+57	2.866
Jan 31 2018	Manitoba	C$300m incr (C$1.8bn)	Sep 5 2048	3.4	104.823	GOC+77.5	3.153
Feb 1 2018	ADB	A$500m	Aug 8 2028	3.3	99.868	ASW+43, ACGB+49.5	3.315
Feb 1 2018	EDC	A$125m incr (A$1bn)	Oct 24 2022	2.7	99.834	ASW+30, ACGB+42.25	2.738
Feb 1 2018	NIB	SKr500m	May 12 2025	1.05	-	-	-
Feb 1 2018	KBN	A$50m incr (A$250m)	Jul 24 2028	3.4	99.433	ASW+57, ACGB+64.875	3.465
Feb 2 2018	Rentenbank	A$50m incr (A$575m)	Apr 12 2028	3.25	99.269	ASW+44, ACGB+50	3.35
Feb 2 2018	KBN	NZ$100m incr (NZ$200m)	Jun 7 2023	3.375	100.725	MS+44, NZGB+80.05	3.226
Feb 2 2018	NIB	NZ$375m incr (NZ$775m)	Jan 19 2023	3	99.685	MS+34, NZGB+63.9	3.069

Pricing steps	NIP (bp)	Book size	Ratings	Bookrunners	Distribution
3mL+5 area (I), 3mL+5 area (G)	-	-	Aaa/AAA	Citi/JPM/TD	EMEA 44%, N.Amer 21%, Latam 20%, Asia 15%. CB/OI 52%, Bks 30%, AM 18%.
3mL+2 area (I), 3mL+2 area (G)	-	-	Aaa/AAA	BAML/Nomura/RBC	-
MS-4 area (I), MS-4 area (G)	-	-	Aaa/AAA	Citi/GS/RBC	-
MS-26	-1	-	Aa1/AA+/AA+	Baec/CMZ	-
MS-20 area, MS-22 area	2	>€4.75bn, >115 acs	Aaa/AA/AAA	Barc/CMZ/HSBC/Uni	UK 27%, Benelux 25%, Ger/Aus 14%, Nordics 11%, Asia 9%, Fr 7%, It 4%, Other 3%. FM/AM 41%, CB/OI 33%, Bks 25%, Ins 1%.
BONOs+high teens, BONOs+17 area	-	>€2.5bn	-/BBB+/A-/AL	BBVA/Citi/HSBC/Santan	Iberia 33%, Fr 18%, Ger/Aus 15%, MEA 10%, UK/Ire 6%, Switz 6%, RoEur 12%. FM 46%, Ins/PF 21%, CB/OI 17%, Bks/PB 16%.
MS+8 area	-	>€440m	Aa1/AA-/AAA	Citi/CMZ/HSBC/JPM	-
OATs+24 area, OATs+22 area	0	>€1.8bn, 55 acs	Aa3/AA/AA-	BNPP/HSBC/JPM/LBBW/NatWest	Ger/Aus 39%, Fr 32%, UK 14%, It 12%, Benelux 2%, Other 1%. Bks 74%, AM 23%, Ins 3%.
-	-	-	Aaa/AAA/AAA	DZ	-
-	-	-	Baa2/BBB/BBB/ Scope A-	IMI/CS/DB/JPM/Medio/MS	It 45%, Fr 28%, Iberia 13%, Ger/Aus 5.5%, Switz 4.5%, UK 3%, Other 1%. AM 47%, Bks/PB 44%, Ins 8%, Other 1%.
G+28 area, G+27 area	-	>£1.1bn	Aaa/AAA/AAA	BAML/DB/HSBC/TD	-
G+35 area	-	>£480m	Aa1/AA+	Nomura/RBC/Scotia	-
ASW+70	-	-	Aaa/AAA/AAA	TD	-
-	-	-	Aaa/AAA/Scope AAA	SEB	-
ASW+60			Aaa/AAA/AA+	DB/RBC	-
3mBBSW+14.5/16.5			Aa1/AA+/-	ANZ/CBA/NAB/UBS	AU 83%, Asia 10%, EMEA 7%. Bks 79%, OIs 16%, AM 3%, trading 2%.
EFP+45/47			Aa1/AA+/-	ANZ/CBA/NAB/UBS	AU 59%, Asia 25%, US 15%, EMEA 1%. Trading 49%, AM/Ins 18%, Bks 17%, HF 16%.
ACGB+90			Aa2/-/-	UBS	
ASW+45 area			Aaa/AAA	Daiwa	
-	-	-	Aa2/A+/-/AAL	Scotia	-
-	-	-	Aa2/A+/-/AH	BMO/CIBC/TD	-
			Aaa/AAA/AAA	Miz	
ASW+30			Aaa/AAA/-	Nom	
-	-	-	Aaa/AAA	Danske	-
			Aaa/AAA	RBC	
ASW+44			Aaa/AAA/AAA	DB	
MS+44			Aaa/AAA/AAA	CBA/TD	
MS+34			Aaa/AAA/AAA	ANZ/BNZ	

GLOBAL BOND SUMMARY DETAILS: WEEK ENDING 2/2/2018 (CONTINUED)

Pricing date	Issuer	Amount	Maturity	Coupon (%)	Reoffer	Spread (bp)	Yield (%)
CORPORATES							
US DOLLARS							
Jan 29 2018	Constellation Brands	US$600m	Feb 15 2023	3.2	99.91	T+72	3.22
Jan 29 2018	Constellation Brands	US$700m	Feb 15 2028	3.6	99.81	T+92	3.623
Jan 29 2018	Constellation Brands	US$600m	Feb 15 2048	4.1	99.66	T+117	2.95
Jan 29 2018	FedEx	US$500m	Feb 15 2028	3.4	99.81	T+72	3.423
Jan 29 2018	FedEx	US$1bn	Feb 15 2048	4.05	99.58	T+112	4.074
Jan 29 2018	MidAmerican Energy	US$700m	Aug 1 2048	3.65	99.13	T+75	3.698
Jan 31 2018	American Homes 4 Rent	US$500m	Feb 15 2028	4.25	99.44	T+158	4.319
Jan 31 2018	Hubbell Inc	US$450m	Feb 15 2028	3.5	99.44	T+83	3.567
Jan 31 2018	National Rural Utilities Cooperative Finance Corp	US$700m	Feb 7 2028	3.4	99.71	T+70	3.435
Jan 31 2018	United Airlines (Class AA)	US$677.175m	Mar 1 2030	3.5	100	0.04	3.5
Jan 31 2018	United Airlines (Class A)	US$257.965m	Mar 1 1930	3.7	100	0.04	3.7
Feb 1 2018	Canadian National Railway Co	US$300m	Feb 3 2020	2.4	99.96	T+25	2.419
Feb 1 2018	Canadian National Railway Co	US$600m	Feb 3 2048	3.65	98.97	T+70	3.701
Feb 1 2018	Comcast Corp	US$1bn	Mar 1 2028	3.55	99.65	T+80	3.59
Feb 1 2018	Comcast Corp	US$1.2bn	Mar 1 2038	3.9	99.52	T+90	3.935
Feb 1 2018	Comcast Corp	US$1bn	Mar 1 2048	4	98.19	T+107	4.105
Feb 1 2018	Crane Co	US$350m	Mar 15 2048	4.2	99.99	T+120	4.2
Feb 1 2018	Enterprise Products Operating	US$750m	Feb 15 2021	2.8	99.95	T+50	2.819
Feb 1 2018	Enterprise Products Operating	US$1.25bn	Feb 15 2048	4.25	99.87	T+125	4.258
Feb 1 2018	Enterprise Products Operating	US$700m	Feb 15 2078	5.375	100	0.05	5.375
Feb 1 2018	IBM Credit	US$450m	Feb 5 2021	3mL+16	100	3mL+16	3mL+16
Feb 1 2018	IBM Credit	US$800m	Feb 5 2021	2.65	99.95	T+35	2.667
Feb 1 2018	IBM Credit	US$750m	Feb 6 2023	3	99.96	T+45	3.011
EUROS							
Jan 30 2018	Alliander	€500m	Perpetual (Jun 2025)	1.625	99.144	MS+95.2, B+142.1	1.75
Jan 30 2018	S IMMO	€100m	Feb 6 2024	1.75	99.718	MS+117.4, B+160.6	1.8
Jan 30 2018	S IMMO	€50m	Feb 6 2030	2.875	100	MS+165, B+219.2	2.875
Jan 31 2018	SIAS	€550m	Feb 8 2028	1.625	98.844	MS+70, B+113.6	1.752
Feb 1 2018	Acea	€300m	Feb 8 2023	3mE+37	100	3mE+37	-
Feb 1 2018	Acea	€700m	Jun 8 2027	1.5	98.138	MS+70, B+113	1.718

Pricing steps	NIP (bp)	Book size	Ratings	Bookrunners	Distribution
T+85 area, T+75 (+/-3)	-1	US$6.4bn	Baa3/BBB-	BAML/JPM	-
T+110 area, T+95 (+/-3)	0	$6,400 total	Baa3/BBB-	BAML/JPM	-
T+135 area, T+120 (+/-3)	0	$6,400 total	Baa3/BBB-	BAML/JPM	-
T+90 area, T+75 (+/-3)	-1	US$2.7bn	Baa2/BBB	BAML/Citi/GS/JPM/MS	-
T+130 area, T+115 (+/-3)	-1	US$3.2bn	Baa2/BBB	BAML/Citi/GS/JPM/MS	-
T+90/95, T+78 (+/-3)	-3	US$1.9bn	Aa2/A+/A+	Barc/BNPP/Scotia/USB/WFS	-
T+180 area, T+160 (+/-2)	debut	US$1.6bn	Baa3/BBB-	BAML/Citi/JPM	-
T+100 area, T+85 (+/-2)	3	US$1.4bn	Baa1/BBB+/A-	BAML/HSBC/JPM	-
T+85 area, T+75 (+/-5)	4	US$1.6bn	A1/A/A+	Key/JPM/Miz/PNC/STRH	-
3.70% area, 3.55% (+/-5)	N/A	US$1.4bn	Aa3/AA	CIT/CS/GS(a)DB/MS/Barc/BAML/ BNP/CA-CIB/JPM/SCB/WFS	-
3.90% area, 3.75% (+/-5)	N/A	US$700m	A2/A	CIT/CS/GS(a)DB/MS/Barc/BAML/ BNP/CA-CIB/JPM/SCB/WFS	-
T+30/35, T+25 (the #)	3	US$800m	A2/A	BAML/Citi/RBC	-
T+80/85, T+70/72	3	US$1.3bn	A2/A	BAML/Citi/RBC	-
T+95/100, T+83 (+/-3)	3	US$3.3bn	A3/A-/A	Barc/TD/WFS	-
T+110 area, T+93 (+/-3)	4	US$3.3bn	A3/A-/A	Barc/TD/WFS	-
T+125 area, T+110 (+/-3)	6	US$3bn	A3/A-/A	Barc/TD/WFS	-
T+145/150	0	US$1.9bn	Baa2/BBB	JPM/WFS	-
T+65/70, T+55 (+/-5)	0	US$2bn	Baa1/BBB+/BBB+	BAML/JPM/Scotia/DB(a)MS/TD/ SG/DNB(p)	-
T+140/145, T+130 (+/-5)	2	US$3.55bn	Baa1/BBB+/BBB+	BAML/JPM/Scotia/DB(a)MS/TD/ SG/DNB(p)	-
5.625% area, 5.375% (the #)	N/A	US$2.15bn	Baa2/BBB-/BBB-	BAML/JPM/Scotia/DB(a)MS/TD/ SG/DNB(p)	-
3mL equiv, 3mL equiv	FRN	US$625m	A1/A+/A+	BNP/JPM/Santan/USB	-
T+45bp area, T+37 (+/-2)	3	US$1bn	A1/A+/A+	BNP/JPM/Santan/USB	-
T+55 area, T+47 (+/-2)	3	US$1.15bn	A1/A+/A+	BNP/JPM/Santan/USB	-
2%/2.125%, 1.75%/1.875%, 1.75	-	-	A2/A	ING/MS/MUFG/Rabo	-
2% area(I), 2% area(G), 1.875% (+/-12.5), 1.75% (cpn)	-	>€150m combined, >75 acs	-	Erste	-
3% area(I), 3% area(G), 2.875%	-	>€150m combined, >75 acs	-	Erste	-
MS+85/90, MS+70/75	0	>€1.9bn	Baa2/-/BBB+	JBs BNPP/IMI/JPM/Medio/Uni, + Barc/BBVA/Citi/CA-CIB/DB/MS/ Nomura/Santan	Fr 26%, UK/Ire 25%, Ger/Aus 22%, It 14%, Benelux 5%, Switz 3%, Nordics 2%, Iberia 2%, Other 1%. FM/AM 75%, Ins/ PF 19%, Bks/PB 6%.
3mE+50/+55, 3mE+40 (+/-3)	0	>€1.1bn	Baa2/-/BBB+	IMI/BNPP/CA/Citi/DB/Medio/Natx/ SG/UBI/Uni	Iberia 24%, Fr 23%, It 22%, Ger/Aus 17%, UK/Ire 8%, Switz 2%, Nordics 1%, Benelux 1%, Other 2%. FM 81%, Bks/CB 12%, Ins./PF 3%, Other 4%.
MS+80 area, MS+70/75	5	>€1.1bn	Baa2/-/BBB+	IMI/BNPP/CA/Citi/DB/Medio/Natx/ SG/UBI/Uni	Fr 31%, UK/Ire 30%, Ger/Aus 20%, Switz 4%, Nordics 4%, It 3%, Benelux 2%, Iberia 1%, Other 5%. FM 65%, Ins/PF 23%, Bks/CB 12%.

GLOBAL BOND SUMMARY DETAILS: WEEK ENDING 2/2/2018 (CONTINUED)

Pricing date	Issuer	Amount	Maturity	Coupon (%)	Reoffer	Spread (bp)	Yield (%)
Feb 1 2018	Ford	€500m	Feb 7 2025	1.355	100	MS+60, B+100.9	1.355
Feb 1 2018	Ford	€750m	Dec 7 2022	3mE+42	100	DM+42	-
Feb 1 2018	Prosegur Compañía de Seguridad	€700m	Feb 8 2023	1	99.56	MS+62, B+109.6	1.091
Feb 2 2018	Bevco Lux	€800m	Feb 9 2023	1.75	99.366	MS+140, B+187.8	1.884
STERLING							
Jan 31 2018	Wellcome Trust	£750m	Feb 7 2118	2.517	100	G+80	2.517
Feb 2 2018	VW FS	£300m	Jun 9 2022	1.625	99.559	G+75	1.725
SWISS FRANCS							
Jan 29 2018	AMAG Leasing	SFr150m	Feb 12 2023	0.55	100.04	MS+52, Eidg+93.3	0.542
Feb 2 2018	AMAG Leasing	SFr100m	Feb 12 2020	0.05	100	MS+50.8	0.05
NON CORE							
Jan 29 2018	RioCan REIT	C$300m	Sep 29 2023	3.209	99.995	OTC+105	3.209
Jan 30 2018	BMW Canada	C$200m	Feb 6 2020	3mCDOR+10	100	3mCDOR+10	-
Jan 30 2018	BMW Canada	C$300m	Aug 6 2021	2.57	99.97	OTC+59	2.579
Feb 1 2018	Castellum	SKr525m	Aug 12 2020	3mSt+80	100	3mSt+80	-
Feb 2 2018	Vasakronan	SKr300m	Mar 1 2024	3mSt+72	100	3mSt+72	-
FINANCIALS							
US DOLLARS							
Jan 26 2018	Canadian Imperial Bank of Commerce	US$750m	Feb 2 2021	2.7	99.87	T+50	2.744
Jan 26 2018	Canadian Imperial Bank of Commerce	US$600m	Feb 2 2021	3mL+31.5	100	3mL+31.5	3mL+31.5
Jan 26 2018	SunTrust Bank	US$750m	3NC2	2.59	100	T+48	2.59
Jan 26 2018	SunTrust Bank	US$500m	Feb 2 2023	3	99.66	T+60	3.073
Jan 29 2018	JPMorgan Chase Bank	US$1.25bn	3NC2	2.604	100	T+48	2.604
Jan 29 2018	JPMorgan Chase Bank	US$1bn	3NC2	3mL+29	100	3mL+29	3mL+29
Jan 31 2018	Bank of America Corp	US$1.5bn	8NC7	3mL+77	100	3mL+77	3mL+77
Jan 31 2018	Discover Bank	US$800m	Feb 6 2023	3.35	99.99	T+82	3.352
Feb 1 2018	ERP Operating LP	US$500m	Mar 1 2028	3.5	99.4	T+80	3.571
EUROS							
Jan 31 2018	Nordea	€1bn	Feb 7 2022	3mE+50	101.506	DM+13	-
Feb 1 2018	Santander (T2)	€1.25bn	Feb 8 2028	2.125	99.555	MS+110, B+147.4	2.175
STERLING							
Feb 1 2018	Just Group	£230m	Feb 7 2025	3.5	99.883	G+225	3.519
SWISS FRANCS							
Jan 31 2018	ANZ NZ	SFr200m	Oct 22 2024	0.35	100.225	MS+13, Eidg+57	0.316
NON CORE							
Jan 30 2018	Newcastle BS	A$225m	Feb 6 2023	3mBBSW+140	100	3mBBSW+140	-
Jan 30 2018	Suncorp	A$200m	Feb 5 2019	3mBBSW+35	100	3mBBSW+35	-
Jan 26 2018	Rabobank (NZ Branch)	NZ$100m	Feb 2 2023	3.375	99.62	MS+73	3.459
Jan 29 2018	TD	C$1bn	Jul 31 2019	3mCDOR+5	100	3mCDOR+5	-
Jan 29 2018	NBC (sub)	C$750m	Feb 1 2028 (Feb 2023)	3.183	100	OTC+108	3.183
Jan 30 2018	Rabobank	Rmb500m	Feb 8 2021	4.3	100	-	4.3
Jan 31 2018	Central One Credit Union	C$350m	Feb 5 2021	3mCDOR+35	100	3mCDOR+35	-
Jan 31 2018	Scotiabank	C$2bn	Feb 2 2028	3.1	-	OTC+80	-
Feb 1 2018	CIBC		Feb 7 2020				

Pricing steps	NIP (bp)	Book size	Ratings	Bookrunners	Distribution
MS+70/75, MS+60/65	5		Baa2/BBB/BBB	BNPP/DB/HSBC/SG (a), CMZ/Uni(p)	-
DM+60 area, DM+45 (+/-3)	0		Baa2/BBB/BBB	BNPP/DB/HSBC/SG (a), CMZ/Uni(p)	-
MS+85/90, MS+65 (+/-3)	-	€3.25bn	-/BBB	GCs Barc/Santan, +BBVA/BNPP/DB/GS.	-
MS+150 area	-	>€2.1bn	-/BBB-	GCs BNPP/Citi, JBs BAML/DB	-
G+85 area	3	c.£3.3bn	Aaa/AAA	JPM	-
G+80/85, G+75/80	8	>£500m	A3/BBB+	DB/HSBC	-
MS+50/55, MS+52 area	0	SFr150m, 51 acs	CS mid BBB/ZKB BBB-	CS	Switz 100%. AM 67%, Ins 14%, Retail/PB 13%, PF 7%.
MS+51 area	0	-	CS mid BBB/ZKB BBB-	CS/ZKB	-
OTC+110 (+/-5)	-	-	-/BBB/-/BBBH	BMO/RBC/TD	-
3mCDOR+11 (+/-2)	-	-	A1/A+	CIBC/RBC	-
OTC+61 (+/-3)	-	-	A1/A+	CIBC/RBC	-
-	-	-	-	Danske	-
-	-	-	-	Danske	-
T+60bp area, T+50 (the #)	6	US$1bn	A1/A+/AA-	BAML/CIBC/Citi/DB/WFS	-
3mL equiv, 3mL equiv	FRN	US$800m	A1/A+/AA-	BAML/CIBC/Citi/DB/WFS	-
T+65 area, T+50 (+/-2)	5	US$1.2bn	Baa1/A-/A-	CS/GS/STRH/UBS	-
T+75 area, T+60/62/5	6	US$1bn	Baa1/A-/A-	CS/GS/STRH/UBS	-
T+55 area, T+50 (+/-2)	2	-	Aa3/AA-	JPM	-
3mL+36 area, 3mL equiv	FRN	-	Aa3/AA-	JPM	-
3mL+80 area	FRN	US$2.4bn	A3/A-/A	BAML	-
T+100 area, T+85 (+/-3)	5	US$2.5bn	Baa3/BBB/BBB+	BAML/Citi/DB	-
T+hi 90s, T+85 (+/-5)	5	US$1.35bn	A3/A-/A-	DB/JPM/UBS	-
DM+20 area, DM+15 (+/-2)	1	>€1.6bn, >110 acs	Aa3/AA-/AA-	BNPP/DB/JPM/Nordea	Ger/Aus/Switz 38%, Fr 26%, S.Eur 10%, UK/Ire 9%, Nordics 5%, Asia 1%, Other 11%. AM 45%, Bks 37%, CB/OI 10%, Ins 5%, Corp 3%.
MS+125 area	3	>€2.3bn	Baa2/BBB/BBB+	Barc/Natx/Santan/SG	Fr 27%, Nordics 13%, Ger/Aus 13%, UK/Ire 13%, It 11%, Iberia 10%, Switz 6%, Benelux 4%, Other 3%. AM 67%, Ins/PF 19%, CB/OI 9%, Bks/PB 5%.
G+262.5 area, G+237.5/250	-	>£1.3bn	-/-/A	ABN/Barc/NatWest	-
MS+13 area	0	SFr200m, 58 acs	A1/AA-/AA-	CS/UBS	Switz 100%. AM 38%, Ins 32.5%, PB 15.5%, PF 14%.
3mBBSW+145 area	-	-	A3/BBB/-	NAB/WBC	-
3mBBSW+35 area	-	-	A1/A+/A+	ANZ	-
MS+73 area	-	-	Aa2/A+/AA-	CBA/Rabo/TD	-
3mCDOR+6 area	-	-	Aa2/AA/AA-	TD	-
OTC+110 (+/-3)	-	-	Baa3/-/BBB/BBBH	NBC	-
4.30%	-		Aa2/A+/-	StCh	-
3mCDOR+37 (+/-2)	-	-	-/A-/-/AH	RBC/TD	-
OTC+83 (+/-3)	-	-	A1/A+/AA-	Scotia	-
3mCDOR+8 area	-	-	A1/A+/AA-/AA	CIBC	-

GLOBAL BOND SUMMARY DETAILS: WEEK ENDING 2/2/2018 (CONTINUED)

Pricing date	Issuer	Amount	Maturity	Coupon (%)	Reoffer	Spread (bp)	Yield (%)
COVERED BONDS							
EUROS							
Jan 29 2018	Bankinter	€500m	Feb 7 2028	1.25	100	MS+18, B+56.6	1.25
Jan 29 2018	La Banque Postale	€750m	Feb 7 2028	0.875	98.938	MS-8, B+36.7	0.987
Jan 30 2018	Deutsche Hypotekenbank	€250m incr (€750m)	Apr 20 2022	0.125	99.9	MS-18, B+31.4	0.149
Jan 30 2018	Rabobank	€1.25bn	Feb 8 2028	0.875	99.137	MS-10, B+28.6	0.966
Feb 1 2018	Helaba	€750m	Feb 8 2024	0.375	99.669	MS-20, B+21.7	0.431
Feb 1 2018	Sparkasse Pforzheim Calw	€250m	Feb 8 2023	0.25	99.599	MS-15	0.331
HIGH YIELD							
US DOLLARS							
Jan 26 2018	Hunt Companies	US$600m	Feb 15 2026 (Feb 2022)	6.25	100	0	6.25
Jan 29 2018	Viking Ocean Cruises	US$275m	Sep 15 2027	5.875	100.5	T+310	5.791
Jan 29 2018	Viking Ocean Cruises	US$675m	Feb 15 2028 (Feb 2023)	5	100	T+231	5
Jan 30 2018	Western Digital Corporation	US$2.3bn	Feb 15 2026	4.75	100	T+205	4.75
Jan 31 2018	Scientific Games	US$900m	Oct 15 2025 (Oct 2020)	5	100	T+229	5
Jan 31 2018	Shelf Drilling Holdings	US$600m	Feb 15 2025 (Feb 2022)	8.25	100	T+557	8.25
Jan 31 2018	American Woodmark Corp	US$350m	46096	4.875	100	T+216	4.875
Feb 1 2018	Indigo Natural Resources	US$650m	Feb 15 2026 (Feb 2021)	6.875	100	-	6.875
Feb 1 2018	JBS USA	US$900m	Feb 15 2028 (Feb 2023)	6.75	100	T+396	6.75
Feb 1 2018	Oceaneering International	US$300m	Feb 1 2028	6	100	T+323	6
Feb 1 2018	MPC Container Ships	US$100m incr (US$200m)	Sep 22 2022	3mL+475	99.25	-	-
EUROS							
Jan 30 2018	Infopro (IPD 3 BV)	€150m incr (€475m)	Jul 15 2022 (Jul 2019)	4.5	102.75	B+388	3.818
Jan 31 2018	Scientific Games (secured)	€325m	Feb 15 2026 (Feb 2021)	3.375	100	B+292	3.375
Jan 31 2018	Scientific Games (unsecured)	€250m	Feb 15 2026 (Feb 2021)	5.5	100	B+505	5.5
Jan 31 2018	Albea	€150m	Jun 30 2024 (Feb 2020)	6.75	100	B+651	6.75
Feb 2 2018	Sunborne	€50m	Feb 9 2023 (Feb 2021)	3mE+485	100	3mE+485	-
Feb 2 2018	KME AG	€300m	Feb 1 2023 (Feb 2020)	6.75	98.953	B+693	7
SWISS FRANCS							
Jan 29 2018	Rallye	SFr10m incr (SFr95m)	Feb 8 2024	3.25	100	-	3.25
NON CORE							
Jan 30 2018	Superior Plus	C$220m	Aug 27 2025 (Feb 2021)	5.125	100	GOC+287.5	5.125
Feb 2 2018	Ellevio	SKr3bn	Feb 12 2025	2.875	99.345	MS+190	2.98

Pricing steps	NIP (bp)	Book size	Ratings	Bookrunners	Distribution
MS+mid 20s, MS+20 (+/-2)	1	€1.5bn	Aa2/A+	Bankinter/DB/HSBC/Santan/SG	Ger/Aus 26%, Iberia 18%, Benelux 17%, Fr 10%, UK/Ire 9%, It 9%, Nordics 4%, ME 4%, Switz 3%, Other 1%. FM 40%, Bks/PB 26%, CB/OI 19%, Ins/PF 14%, Other 1%.
MS-4 area, MS-7 (+/-1)	2	>€1.1bn	-/AAA	CA/CMZ/LBBW/NWM/SG	Fr 53%, Ger/Aus 36%, Nordics 4%, Benelux 3%, Other 4%. CB/OI 57%, Bks/PB 19%, Ins 14%, AM 9%, Other 1%.
MS-17 area	0	>€300m, >20 acs	Aa1	BLB/CA-CIB/CMZ/DZ/NordLB	Ger 82%, Asia 10%, Switz 8%. CB/OI 62%, Bks 21%, FM 10%, Ins/PF 7%.
MS-7 area	-	>€1.7bn, c.60 acs	Aaa	CS/HSBC/Rabo/Uni	Ger/Aus 44%, Benelux 34%, Asia 7%, Switz 5%, UK 5%, Fr 3%, Nordics 1%, Other 1%. CB/OI 53%, Ins/PF 18%, Bks/PB 17%, AM 12%.
MS-18 (+/-2)	1	c.€900m, >40 acs	-/-/AAA	ABN/Erste/Helaba/Natx/SG	Ger/Aus 79%, UK/Ire 13%, Benelux 3%, Asia 2%, Switz 2%, Other 1%. CB/OI 47%, Bks/PB 41%, FM 11%, Ins 1%.
MS-15 area	-	-	-/-/AAA	LBBW	-
6.125%/6.25%	-	-	B2/BB-	Jeff/JPM/HFS	-
-	-	-	B3/B	BAML/WFS/CS	-
-	-	-	Ba2/BB-	BAML/WFS/CS	-
4.625% area	-	-	Baa3/BB+/BB+	BAML/JPM/RBC/Miz/WFS	-
$99.5-100.00	-	-	Ba3/B+	JPM/DB/BAML/FT/CS/Citi/PNC/MQB/GS	-
8.25%/8.5%	-	-	B2/B-	CS/HSBC/JPM/RBC	-
5% area	-	-	Ba3/BB	WFS (sole)	-
-	-	-	B3/B+	JPM	-
6.75% area	-	-	-	Barc/RBC/BMO	-
-	-	-	Ba1/BBB	CS/WFS/JPM/DNB/HSBC/BAML	-
98.00-98.75, 98.75-99.00, 99.00-99.50, 99.25	-	>US$275m	-	DNB/Fearnley	-
102.75-103.00	-	-	B2/B	JPM/BNPP	-
3.5% area, 3.375%	-	-	Ba3/B+	DB/JPM/BAML/FITB/CS/Citizens/PNC/MQB/GS	-
5.5% area, 5.5%	-	-	Caa1/B-	DB/JPM/BAML/FITB/CS/Citizens/PNC/MQB/GS	-
6.75%/7%, 6.75%	-	-	B2/B	DB/BNPP/CS/KKR	-
3mE+450/500	-	-	-	DNB/OP	-
7% area, 7%	-	-	B3/B	GCs GS/BNPP/DB, JB Akros	-
-	-	-	-	UBS	-
-	-	-	-/BB/-/BBL	BMO/NBF/Scotia	-
-	-	-	-/BB+	Danske/SEB/Swed	-

THOMSON REUTERS
EIKON™

Trusted answers
for trusted advisors.

The answer is Eikon.

Our unique solutions help you serve clients
and prospects with confidence that your advice is solid.

Learn more about our trusted answers for trusted advisors at financial.tr.com/eikon-ib

The intelligence, technology and human expertise
you need to find trusted answers.

the answer company™
THOMSON REUTERS®

© 2015 Thomson Reuters S027976/12-15

FRONT STORY RUSSIA

Russian issuers brush off US list

Business as usual for non-sanctioned entities

A flow of Russian announcements demonstrated that the market was unfazed by the US Treasury's publication of a so-called 'oligarchs list' on Tuesday.

The US administration issued a public list of Russian oligarchs close to the Kremlin who could be sanctioned, as well as a classified annex sent only to Congress. Moscow dismissed the public document as little more than a "telephone directory" of the rich.

One investor described the list as a "total non-event."

He added: "Until we actually see any [further] sanctions being introduced I don't think the market will pay any attention."

MOSCOW DOMODEDOVO AIRPORT, RUSHYDRO and CREDIT BANK OF MOSCOW all added their names to the pipeline last week. With Gazprom also rumoured to be returning soon, there is no sign of Russian issuance slowing.

Domodedovo (Ba1/BB+/BB+) will use the proceeds of a five-year dollar bond to repay its outstanding US$221.5m notes due this November, with the remainder used for capital expenditure.

The airport kicked things off with investors over a breakfast in Moscow, and will visit London, Zurich and Frankfurt.

Domodedovo raised US$350m through 5.875% due November 2021s in 2016. The 2021s are bid at 104.75 to yield 4.488%.

Corporate funding is not restricted to dollars, with RusHydro (Ba1/BB+/BB+) setting out its stall to bring a Eurorouble. The Russian hydropower company has arranged a roadshow ahead of a three to five-year offering.

RusHydro was active in the Eurorouble market last year, printing Rbs20bn due September 2022 notes at 8.125%.

On the banking side, privately-owned Credit Bank of Moscow (Ba3/-/BB-) has named leads for a new senior unsecured dollar five-year.

Russia's lenders came under scrutiny during 2017 after the central bank stepped in to save Promsvyazbank, B&N Bank and Otkritie, all within a matter of months.

Ekaterina Sidorova, analyst at Sberbank, says that the situation in the Russian local banking sector appears to have stabilised after a difficult few months.

"We believe the new issue will be interesting for investors if the borrower offers some yield concession to the secondary market, given that further spread compression of the outstanding senior bonds over higher quality credits does not seem likely," she said.

CBOM's bond will be used to repay the outstanding US$500m notes due this month, according to a Fitch report published January 30.

Fitch marks the lender's issuer default rating one notch higher than its viability rating, due to a large volume of junior debt that will protect depositors in case of a material capital shortfall at the bank.

"Until we actually see any [further] sanctions being introduced I don't think the market will pay any attention"

A banker familiar with the matter expects the trade to receive a positive reception.

"I still think there is some consolidation to come in the Russian banking sector, but the position looks rather positive now from where we stand," said the banker. "CBOM is confident about coming."

Credit Suisse, Raiffeisen Bank International, Societe Generale and *UBS* are joint leads for Domodedovo.

RusHydro has mandated *Gazprombank*, *JP Morgan*, *Sberbank* and *VTB Capital*.

Credit Suisse, *JP Morgan* and *Societe Generale* are global coordinators for CBOM. They are joined as bookrunners by *ING*, *Sova Capital*, *Region BC* and *UniCredit*.

Robert Hogg

Investors pile into Pemex

Oil company sees orders reach US$25-plus on dual-tranche

PEMEX dived into the market with a long awaited US dollar bond deal on Thursday, leading the charge in a resurgence of Latin American primary activity.

Investors piled into the state-owned oil company's US$4bn two-part trade, with order books breaching US$25bn as investors shrugged off any risk related to this year's elections.

Royal Dutch Shell's recent decision to invest in a string of Mexican oil and gas blocks has instilled some confidence at a time when leftist candidate Andres Manual Lopez Obrador consolidates his lead heading into the July vote.

"(Pemex) are coming to the market at the right time," one investor told IFR. "The fact that Shell will invest is a vote of confidence and dilutes the scare from AMLO."

The strong demand allowed leads to tighten pricing a good 40bp from initial price thoughts, before pricing a US$2.5bn 10-year to yield 5.35% and a US$1.5n 30-year at 6.35%.

At those levels, the 30-year came inside the company's curve, where the 2047s have been trading at around 6.40%.

The 10-year paid around 10bp over its existing 2027s, which are trading at 5.25%.

The deal also offered an attractive pick-up to the sovereign curve, where Mexico's 10 and 30-year bonds are trading at around 4% and 4.75%.

The bond was done in combination with a tender for all or a portion of its outstanding 2019s and 2020s.

It is also offered investors the opportunity to exchange its 5.5% 2044s and 5.625% 2046s for the new 2048 - which could be a way to avoid the high one-off costs of a new issue and tender combination.

"If you do a tender, you have to expense the premium in the current year," said a banker away from the deal.

"But if you do an exchange, you can amortize that premium (over time)."

BNP Paribas, *Bank of America Merrill Lynch*, *Citigroup* and *SMBC* acted as leads on the deal.

Paul Kilby

ASIA-PACIFIC

CHINA

SOFT MARKET DIGESTS CINDA JUMBO

CHINA CINDA ASSET MANAGEMENT managed to push a US$2.5bn jumbo bond offering through a soft market by paying a premium on some tranches and emphasising its strategic importance to China's deleveraging efforts.

The A3/A–/A rated bad-debt manager, which has the Ministry of Finance and other state-owned entities as controlling shareholders, priced a US$800m five-year at Treasuries plus 140bp, a US$300m seven-year at Treasuries plus 170bp, a US$1.2bn 10-year at Treasuries plus 200bp and a US$200m 30-year at 5.1%.

The outcome was smaller than the estimated US$3.2bn that an investor had mentioned, but a banker on the deal said the more modest size was appropriate given poor sentiment in Asian primary debt markets because of higher rates, a supply glut and tight valuations.

"We've seen quite a sell-off in equities and an adjustment in rate adjustments so we thought, if we wait, the market could worsen," said the banker. "Next week is also a much shorter window because of Chinese New Year. We wanted to take advantage of this time with the FOMC out of the way. Technicals are still strong."

The final pricing offered a buffer of around 5bp–10bp on the five-year and of 10bp or more on the seven and 10-year tranches, said one of the joint global coordinators, who based those calculations on curve extensions over Cinda's existing notes.

CreditSights placed fair value at Treasuries plus 165bp and 202bp, respectively, for the seven and 10-year portions, factoring in about 5bp for the large issue size and weak market backdrop. The report said the five and 30-year tranches came inside fair value estimates of Treasuries plus 140bp and 5.22%, respectively.

The 30-year bonds were Cinda's first at this tenor thanks to demand from life insurers who were looking for yields above 5%. Cinda's 4.45% perp non-call fives were bid at 5.0%, while Huarong Asset Management's 30-year notes were bid at 5.29%, according to Tradeweb.

The order book reached US$16.5bn at final guidance, giving the leads the momentum to tighten final pricing by 30bp across the five, seven and 10-year tranches, and 20bp on the 30-year.

The 2023s were 2bp tighter and the remaining bonds were trading near reoffer on Friday morning. The seven-year tranche had tightened up to 10bp before widening back to reoffer.

Cinda began marketing the bonds in a challenging market. "Despite the backdrop, we thought the weak sentiment was targeted around high-yield bonds, but Cinda is a well-known issuer that people are comfortable with and is one of the two-largest AMCs," said a banker on the deal.

While S&P and Fitch initially rated the new notes on par with the issuer, Moody's has issued preliminary ratings one notch lower to reflect the absence of a guarantee from the onshore parent and the possibility that the keepwell provider may face hurdles in getting approval to send funds to the

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	28	2,695.75	7.0
2	Standard Chartered	23	2,559.77	6.7
3	Bank of China	17	2,321.17	6.1
4	BNP Paribas	15	2,071.52	5.4
5	Citigroup	17	2,063.02	5.4
6	Credit Suisse	11	1,894.37	4.9
7	Deutsche Bank	13	1,630.53	4.3
8	BAML	11	1,497.98	3.9
9	Morgan Stanley	9	1,382.16	3.6
10	UBS	10	1,178.60	3.1
	Total	**68**	**38,315.97**	

Excluding equity-related debt.

Source: Thomson Reuters SDC code: L4

ALL INTL EMERGING MARKETS BONDS
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Citigroup	37	9,645.94	11.5
2	HSBC	41	6,623.09	7.9
3	Standard Chartered	30	5,585.61	6.6
4	BNP Paribas	25	4,966.66	5.9
5	Deutsche Bank	21	4,582.87	5.4
6	BAML	23	4,263.94	5.1
7	JP Morgan	20	4,073.96	4.8
8	Credit Suisse	16	3,390.26	4.0
9	Sumitomo Mitsui Finl	5	2,891.77	3.4
10	Goldman Sachs	12	2,786.53	3.3
	Total	**116**	**84,107.36**	

Excluding equity-related debt.

Source: Thomson Reuters SDC code: L1

Investors weigh up LGFV risks

CHINA Recent admissions of unreliable accounting add to headaches for bond investors

Recent revelations that some Chinese regions are in poorer financial shape than earlier thought are leading investors to take a harder look at the risks involved in debt linked to local governments.

In January, Fitch downgraded **INNER MONGOLIA HIGH-GRADE HIGHWAY CONSTRUCTION AND DEVELOPMENT** after the government of Inner Mongolia Autonomous Region said it had overstated industrial output and fiscal revenue for 2016.

The same month, the official People's Daily wrote that Tianjin's **BINHAI NEW AREA** had overstated its GDP for 2016, while, last year, the north-eastern province of Liaoning admitted to faking fiscal data from 2011 to 2014.

"In provincial SOEs [state-owned enterprises], people need to be more selective," said Jimond Wong, managing director and senior portfolio manager for fixed income at Manulife Asset Management. "A number of provinces have been confessing their numbers as reported are not correct."

DEFAULT RISK

CICC said in a note that more confessions from local governments could not be ruled out, raising the risk that the ranking of different municipalities could change in future.

It estimated that Rmb1.5trn (US$237bn) of LGFV bonds would mature this year and said the risk of defaults was "significantly higher". Beside redemptions, LGFVs will need to service total interest payments of Rmb300bn this year.

A Beijing-based investor with a Chinese securities house said he expected onshore LGFV bonds to be repriced to show greater yield differentiation among the issuers.

However, he said the timing of significant repricing might depend on when the first defaults of LGFV bonds happened.

"Investors definitely have become more cautious towards LGFVs from those regions that reportedly inflated their fiscal numbers. After all, LGFVs link directly to local economic strengths," the investor said.

Some Chinese local government-owned enterprises may expect to benefit from implied support, but in theory, LGFVs are off local government balance sheets and should not be bailed out.

"A lot of the rating assessment of LGFVs is based on expected support," said Fernando Mayorga, global head of international public finance at Fitch. "At lower levels, we will see support is not always going to be there, particularly for second-tier or third-tier LGFVs where there are other LGFVs in the same area that can take over their roles."

A Hong Kong-based offshore investor noted that LGFVs used to have two ratings for US dollar notes, but, recently, investors were becoming more comfortable with only one rating, or no rating at all.

"Foreign investors' participation in LGFV US dollar bonds is actually getting bigger, attracted to the juicy yields they offered," he said. "However, I don't believe there will be such a thing – higher yields but lower risks."

The risks related to local governments mean bond investors need to put in more work to understand state-linked credits.

"We know what kind of industries certain provinces are strong in and how they have been affected in this cycle, whether they are aggressive in their spending, and whether they have planned a project that is not economic," said Manulife's Wong.

"We don't invest in China muni bonds per se, but we invest in corporations operating in the province if we have a clear sense of what business they are in, and how it is doing. If it is listed then even better, so we can cross-check."

FIELD TRIPS

In addition to written information, face-to-face visits may even be required.

"We tend to visit some issuer cities to see the infrastructure construction activities, property market developments, consumer sentiment and have a tour on the projects of local LGFVs," said Leo Hu, senior portfolio manager for emerging markets debt at NN Investment Partners.

"By doing so, we get a better sense of the local government financial condition (via taxes and land sales) and the strategic important of respective LGFV to the local governments."

Generally, local governments have benefited from China's booming property market, which has allowed them to bolster their balance sheets through land sales.

"Land sales for local governments increased around 30% last year, and a double-digit growth for the last two," said Terry Gao, senior director for international public finance at Fitch. "While their financials are in good shape, some would like to push through reforms, ahead of any rainy days."

In addition to individual local government action, the central government can also play a role in applying tighter standards.

"The central government needs to tighten up processes, whether it is reporting or auditing," said Mayorga at Fitch. "Previously, officials were assessed on the economic development of their regions, but looking at the bigger picture may give less incentive for them to push growth where growth may not be.

"These are still very much isolated incidents, and China is certainly not the only country where local governments have had to restate figures – look at Latin America and Europe."

So far, offshore investors have not panicked about the news of unreliable data at local governments. There has been no sign of a sell-off in LGFV bonds, and even Inner Mongolia High-Grade's yield on its US$400m unrated 2020 bonds rose only 35bp, to 4.9% on January 29, according to Thomson Reuters data, in the weeks since its inaccurate data were revealed.

According to China Central Depository & Clearing, yields on AAA rated three-year onshore LGFV bonds have risen 12bp to 5.48% (January 30) since January 8.

Since November 2017, yields on AAA rated three-year onshore LGFV bonds have gone up 58bp to 5.48%, showing that the Inner Mongolia High-Grade news was not the only factor moving bonds.

"In the case of China's local government financial figures, we have a reasonable degree of confidence," said NNIP's Hu. "While there may be some exceptions, overall the data quality is acceptable."

Ina Zhou, Carol Chan

offshore entity due to China's capital controls.

CreditSights has an underperform on Cinda as the spread pick-up between the asset management company and the big five bank seniors is at an all-time low, but the 10-year Cinda curve has widened and is now trading at a pick-up of around 80bp.

The notes will be issued off a US$10bn MTN programme, which was been increased from US$3bn last month.

SEVEN TO SELL OFFSHORE NOTES

Seven Chinese issuers have registered with state planning agency National Development and Reform Commission to issue offshore bonds.

The seven are Citic Group, China Poly Group, Beijing Capital Group, Logan Property Holdings, Southwest Securities International Securities, HC International and Changxing Financial Holding Group, according to statements posted on NDRC's website.

Some among the seven have printed US dollar bonds recently, while others have mandated banks for meetings with investors.

Citic Group Hong Kong-listed flagship Citic priced US$750m of two-tranche US dollar notes on January 4, while Beijing Capital Group did the same for US$500m of three-year US dollar bonds on January 24 as did China Poly Group property unit Poly Real Estate Group for US$500m of five-year notes on January 29.

Meanwhile, Chinese B2B e-commerce operator HC International has hired two banks for a proposed offering of US dollar Reg S senior notes and will meet investors in Hong Kong from Monday.

Logan Property also conducted a non-deal roadshow in late January.

GREENLAND MARKETS DOLLAR DOUBLE

Chinese property developer **GREENLAND HOLDING GROUP**, rated Ba1/BB/BB, is marketing two tranches of US dollar senior unsecured notes off its US$3bn guaranteed MTN programme.

Pricing indication on a three-year piece is at 5.75% area and that on a five-year portion is at 6.375% area.

Greenland Global Investment is the issuer, while Greenland Holding Group is the guarantor.

The benchmark-sized Reg S issue, with an expected rating of Ba2 (Moody's), had yet to be priced before IFR Asia went to press.

Proceeds will be used for debt refinancing and general corporate purposes.

Greenland Holding Group has received from the National Development and Reform Commission an offshore debt quota of US$1bn, expiring this March, according to Nomura.

Nomura said its understanding was that the company would use the proceeds mainly to refinance two short-term bonds issued last year and maturing in May and June, respectively, for a total of US$820m.

Nomura saw fair values on the two bonds at 5.1% for the three-year tranche and 5.7% for the five-year piece.

BOC International and *China Citic Bank International* are joint global coordinators on the issue, as well as joint bookrunners and joint lead managers with *Industrial Bank Hong Kong branch*, *China Chengtong* and *VTB Capital*.

MANDATES PILE UP

State-owned **HUBEI SCIENCE & TECHNOLOGY INVESTMENT GROUP**, rated Baa2/BBB+ (Moody's/Fitch), has hired banks for a proposed offering of US dollar Reg S senior unsecured notes.

GLOBAL EMERGING MARKETS BOND DETAILS: WEEK ENDING 2/2/2018

Pricing date	Issuer	Amount	Maturity	Coupon (%)	Reoffer	Spread (bp)	Yield (%)
Jan 29 2018	Emirates NBD	SFr235m	Feb 9 2023	0.625	100.012	MS+60, Eidg+105	0.623
Jan 29 2018	Chile	US$1.015bn	Feb 6 2028	3.24	99.941	T+55	3.247
Jan 29 2018	Yes Bank	US$600m	Feb 6 2023	3.75	99.657	T+130	3.826
Jan 29 2018	Poly Real Estate	US$500m	Feb 5 2023	3.95	99.426	T+155	4.078
Jan 30 2018	Gol	US$100m incr (US$600m)	Jan 31 2025	7	99.967	-	7
Jan 30 2018	Dubai Islamic Bank (DIB Sukuk)	US$1bn	Feb 6 2023	3.625	99.588	MS+115	3.716
Jan 31 2018	Poland (Green)	€1bn	Aug 7 2026	1.125	99.776	MS+23, B+64.1	1.153
Jan 31 2018	Credito Real	SFr170m	Feb 9 2022	2.875	100	MS+299.5	2.875
Jan 31 2018	Emirates NBD	SFr50m incr (SFr285m)	Feb 9 2023	0.625	100.012	MS+60, Eidg+105	0.623
Jan 31 2018	Zhongtai International	US$200m	Feb 4 2019	4.1	100	-	4.1
Feb 1 2018	Emirates NBD	A$450m	Feb 9 2028	4.75	99.646	ASW+190	4.795
Feb 1 2018	Romania	€750m	Feb 8 2030	2.5	99.133	MS+133, B+184.9	2.585
Feb 1 2018	Romania	€1.25bn	Feb 8 2038	3.375	98.929	MS+190, B+234.7	3.45
Feb 1 2018	PEMEX	US$2.5bn	Feb 12 2028	5.35	100	T+256	5.35
Feb 1 2018	PEMEX	US$1.5bn	Feb 12 2048	6.35	100	T+332.5	6.35
Feb 1 2018	Emirate of Sharjah	Rmb2bn	Feb 2 2021	5.8	100	-	5.8
Feb 1 2018	Banco Safra	US$500m	Feb 8 2023	4.125	98.888	-	4.375
Feb 1 2018	JBS USA Lux	US$900m	Feb 15 2028 (Feb 2023)	6.75	100	T+396	6.75
Feb 1 2018	China Logistics Property	US$100m incr (US$600m)	Feb 4 2019	9	100	-	9%
Feb 1 2018	Future Land	US$300m	Feb 11 2019	4.75	100	-	4.75
Feb 1 2018	China Cinda Asset Management	US$800m	Feb 8 2023	3.875	99.591	T+140bp	3.966
Feb 1 2018	China Cinda Asset Management	US$300m	Feb 8 2025	4.375	99.732	T+170bp	4.42
Feb 1 2018	China Cinda Asset Management	US$1.2bn	Feb 8 2028	4.625	99.717	T+200bp	4.786
Feb 1 2018	China Cinda Asset Management	US$200m	Feb 8 2048	5	98.472	-	5.1
Feb 2 2018	CCB Sydney	A$100m incr (A$500m)	Nov 24 2020	3mBBSW+95	100.112	3mBBSW+91	-

Pricing steps	NIP (bp)	Book size	Ratings	Bookrunners	Distribution
MS+60 area	0 (vs EUR)	SFr235m	A3/-/A+	BNPP/DB/HSBC	Switz 99%, Other 1%. AM 53%, Bks/PB 33%, Ins/PF 13%, Other 1%.
T+75 area, T+60 (+/-5)	-	-	Aa3/A+/A	BAML/Citi/GS/JPM	-
T+150 area	-	US$1.1bn	Baa3	BAML/CLSA/HSBC/JPM/Nomura/ StCh/Yes	Asia 58%, EMEA 41%, Offshore US 1%. FM 46%, Bks 38%, Ins 11%, PB 5%.
T+185 area	-	US$1.2bn	Baa3/BBB-/BBB+	BoC/Everbright HK/Guotai Junan/ HSBC/ICBCA	Asia 92%, Eur 8%. FM/AM/SWF 61%, Bks 32%, Ins/PB/Other 7%.
7.25% area, 7.125% (+/-12.5), 7%	-	-	-/B-/B	BAML/CS/MS/BTGPactual/BCP. Evercore/ISI/Safra/Santan	-
MS+130 area, MS+115/120	7	c.US$1.7bn	A3/-/A	ABC/DIB/1ADB/HSBC/JPM/KFH/ SIB/StCh	-
MS+35 area, MS+25/30, MS+23/25	5	>€3.1bn, >185 acs	A2/BBB+/A-	BNPP/Citi/CMZ/SG/PKO	Fr 23.5%, Ger 19%, UK 13.9%, Poland 9.6%, Switz 5%, Scandi 4.8%, Aus 3.9%, US 3.5%, ME 2%, Benelux 1.9%, RoEur 8.1%, Other 4.9%. AM 66.5%, Bks 15.9%, CB/OI 9.2%, Ins/PF 7.8%, HF 0.3%, Other 0.2%. 41% Green.
3% area, 2.875%/3%	-	SFr170m, 43 acs	-/BB+/BB+	CS	Switz 82.24%, RoW 17.76%. AM 48.79%, Retail/PB 48.51%, Ins 1.76%, PF 0.93%.
-	0 (vs EUR)	-	A3/-/A+	BNPP/DB/HSBC	-
4.25% area, 4.1%	-	-	-	Zhongtai/Guotai Junan/Wing Lung/ CISI/Haitong/ICBCA	-
ASW+200 area	-	-	A3/-/A+	ANZ/ENBD/Nomura	-
MS+150 area, MS+140 area, MS+135 (+/-2)	1	>€5.3bn combined	Baa3/BBB-/BBB-	Barc/Erste/ING/SG/Uni	-
MS+210 area, MS+200 area, MS+190/195	1	>€5.3bn combined	Baa3/BBB-/BBB-	Barc/Erste/ING/SG/Uni	-
5.75% area, 5.4% (+/-5), 5.35%	5	>US$11bn	Baa3/BBB+/BBB+.	BNPP/BAML/Citi/SMBC	-
6.75% area, 6.4% (+/-5), 6.35%	-5	>US$7.7bn	Baa3/BBB+/BBB+.	BNPP/BAML/Citi/SMBC	-
5.4%/6%	-	-	A3/BBB+	BoC/ICBC/HSBC/StCh	-
Mid 4%, 4.375%	-	-	Ba2/BB-	Citi/JPM/MS	-
6.75% area, 6.75%	-	-		Barc/RBC/BMO	
9% area, 9%	-	-	-	UBS/Haitong/Fosun Hani/Guotai Junan/Miz/AMTD	-
5.2% area, 4.8% area	-	US$1.6bn	-	CS/Haitong/Guotai Junan/CNCBI	Asia 89%, Eur 11%. AM 66%, Bks 24%, PB 7%, Ins 3%.
T+170 area, T+140	5-10	US$16.5bn combined	Baa1/A-/A	BoC/BAML/CCB/ICBC/ABCHK/Miz/ BNPP/DBS/BoCom/CLSA/Haitong/ Cinda Intl/CNCBI/CICC/MS/ANZ/ Industrial/HSBC/Everbright HK/ StCh/CMSHK/DB/Wing Lung Bank	-
T+200 area, T+170	10+	US$16.5bn combined	Baa1/A-/A	BoC/BAML/CCB/ICBC/ABCHK/Miz/ BNPP/DBS/BoCom/CLSA/Haitong/ Cinda Intl/CNCBI/CICC/MS/ANZ/ Industrial/HSBC/Everbright HK/ StCh/CMSHK/DB/Wing Lung Bank	-
T+230 area, T+200	10+	US$16.5bn combined	Baa1/A-/A	BoC/BAML/CCB/ICBC/ABCHK/Miz/ BNPP/DBS/BoCom/CLSA/Haitong/ Cinda Intl/CNCBI/CICC/MS/ANZ/ Industrial/HSBC/Everbright HK/ StCh/CMSHK/DB/Wing Lung Bank	-
5.3% area, 5.1%	-	US$16.5bn combined	Baa1/A-/A	BoC/BAML/CCB/ICBC/ABCHK/Miz/ BNPP/DBS/BoCom/CLSA/Haitong/ Cinda Intl/CNCBI/CICC/MS/ANZ/ Industrial/HSBC/Everbright HK/ StCh/CMSHK/DB/Wing Lung Bank	-
-	-	-	A1/A/A	NAB	-

Bank of China and *China International Capital Corporation* have been named joint global coordinators, as well as joint lead managers and joint bookrunners with *Societe Generale* and *Wing Lung Bank* for the offering and started meeting investors in Hong Kong and Singapore from Friday.

Wholly owned subsidiary Hubei Science & Technology Investment Group (Hong Kong) will issue the bonds and the state-owned company will be guarantor.

The bonds have expected ratings of Baa2/BBB+ (Moody's/Fitch).

The guarantor is 81.55% under the control of the Wuhan East Lake High-tech Development Zone Administrative Committee, a resident agency of the Hubei provincial government.

It supports the development of Wuhan city and the East Lake High-tech Zone in areas, such as infrastructure construction and strategic industries.

GUORUI PROPERTIES, rated B/B (S&P/Fitch), has hired banks for a proposed offering of US dollar Reg S senior unsecured bonds and has started to meet investors in Hong Kong and Singapore from Friday.

Credit Suisse, *Morgan Stanley*, *Haitong International* and *Standard Chartered Bank* are joint global coordinators, as well as joint lead managers and joint bookrunners with *Bank of America Merrill Lynch*, *BOC International*, *China Merchants Securities (HK)*, *China Securities International*, *Guotai Junan International* and *VTB Capital*.

The notes are expected to be rated B–/B (S&P/Fitch).

Proceeds will be used for debt refinancing and general working capital purposes.

On December 4, S&P revised the Hong Kong-listed Chinese real-estate company's B rating outlook to negative from stable. The revision reflects Guorui's weakening liquidity stemming from its larger land acquisitions last year than S&P had expected.

State-owned **FUJIAN ZHANGLONG GROUP**, rated BB+ (Fitch), has hired banks for a proposed issue of US dollar Reg S senior unsecured notes and will start related investor meetings in Singapore and Hong Kong on Monday.

CEB International is sole global coordinator, as well as joint bookrunner and joint lead manager with *Mizuho Securities*, *China Industrial Securities International*, *China Minsheng Banking Corp*, *Chiyu Banking Corp*, *Fortune (HK) Securities*, *Guosen Securities (HK)*, *SPDB International* and *Wing Lung Bank*.

Wholly owned unit Full Dragon (Hong Kong) International Development will be the issuer of the notes and Zhanglong Group will be the guarantor.

The notes have expected rating of BB+ (Fitch), the same as the guarantor.

Zhanglong Group, a local government financing vehicle in Zhangzhou city of China's south-eastern Fujian province, is involved in trading, water supply, real estate and construction businesses.

HC INTERNATIONAL, rated B2/B (Moody's/S&P), has hired two banks for a proposed offering of US dollar Reg S senior notes.

The Chinese B2B e-commerce operator will meet investors in Hong Kong from Monday.

Haitong International is sole global coordinator and, along with *Zhongtai International*, is joint bookrunner and joint lead manager.

The notes will be issued through wholly owned subsidiary HC Innovest Holdings with a guarantee from the Hong Kong-listed parent and certain subsidiaries of HC International incorporated outside China.

The notes have expected ratings of B2/B (Moody's/S&P).

S&P expects HC International to use the proceeds for general purposes, including debt refinancing.

HC International's ZOL (zol.com.cn) is the largest web publisher of technology-related content in China with a strong and well-recognised brand, according to S&P. The company's B2B electronic commerce platform, HC360 (hc360.com), is a distant number two in a very competitive market with a dominant player.

TAIZHOU HUAXIN PHARMACEUTICAL INVESTMENT, rated BB+ (Fitch), has hired banks for a proposed offering of Reg S US dollar senior unsecured notes.

BNP Paribas and *SPDB International* are joint global coordinators, as well as joint bookrunners and joint lead managers with *China Minsheng Banking* to arrange meetings with fixed-income investors in Hong Kong, which started on January 31.

The notes, with an expected BB+ rating from Fitch, will be issued in the name of Huaxin Pharmaceutical (Hong Kong) with Taizhou Huaxin Pharmaceutical Investment as guarantor.

Last October, the Chinese pharmaceutical wholesaler and distributor issued US$120m of 363-day US dollar unrated senior unsecured notes at par to yield 4.50%.

SHANGRAO INVESTMENT HOLDING GROUP has hired *SPDB International* as sole global coordinator, along with *BOC International* as joint bookrunner and joint lead manager, to arrange meetings with fixed-income investors in Hong Kong, starting January 30.

A Reg S offering of US dollar senior unsecured bonds through wholly owned Shangrao Investment Holdings International, with parent SIHG as guarantor, may follow.

Parent SIHG, based at Shangrao in Jiangxi province, is an investment company with assets in urban construction, transportation, tourism, finance, automotives, new energy, agriculture, and other businesses.

Rate spike winds Asian G3

■ ASIA Demand turns 'tepid' after bumper start to year

Asian G3 debt markets hit a speed bump last week as rising Treasury yields and a supply glut brought issuance to a momentary stop at a time when tight valuations have been raising concerns of a correction.

After a dizzying start to the year with issuance topping US$39bn by January 26, well above last January's US$28bn total, according to Thomson Reuters data, sentiment turned weaker last week. Only seven Asian issuers priced US dollar bonds, three with less than one-year maturities, while Chinese property developer **YANGO GROUP** became the first to scrap an offering after bookbuilding.

Shenzhen-listed, Single B rated Yango failed to draw enough orders for US$250m three-year Reg S notes on Monday after releasing initial price guidance of 8.875% area – one of the highest yields in the offshore bond market so far this year.

"The spike in US Treasury yields has affected market sentiment and investors are becoming more cautious," a banker on the deal said, adding that recent heavy supply of new issues also caused indigestion among investors.

POLY REAL ESTATE GROUP and **YES BANK** were the only issuers to sell US dollar bonds on Monday. Yes Bank's 3.75% 2023s had widened 4bp against Treasuries come mid-week.

Not a single deal was live on Tuesday, and only **ZHONGTAI FINANCIAL INTERNATIONAL** braved the weak backdrop on Wednesday with a heavily anchored issue. **CINDA ASSET MANAGEMENT** was one of three issuers that priced a deal on Thursday. It printed a US$2.5bn jumbo that was smaller than expected, despite support from the joint lead managers.

Issuers who had completed roadshows were also said to have postponed plans to issue last week.

The slowdown marked a sharp contrast from two weeks earlier, when nine deals priced in the region on a single day.

"At the moment, demand for Asian US dollar bonds is tepid," said Owen Gallimore, corporate credit analyst for ANZ. "January is seasonally a subdued month ahead of Chinese New Year but this year is exceptional. US Treasury moves, a weaker US dollar and a near-50% increase in supply year on year, plus the price insensitivity of issuers keen to fund offshore, has made this a difficult market to navigate."

YIELD JUMPS

The 10-year Treasury yield soared to 2.79% intraday on Friday, a near four-year peak, after last week's Federal Reserve policy meeting. Financial markets are largely betting that the next rate increase could come as early as March.

"The market had expected Treasury yields to rise this year and were only looking at a 2.7%–2.8% range for end-2018, but the jump in Treasury yields has surpassed market expectations," said an investor, who admitted he had turned more cautious about buying in offshore bonds.

Rising rates have eroded the region's returns year-to-date, with the JP Morgan Asia Credit Index clocking in −0.49% as of January 30, versus 4.35% for the same period last year.

This has put pressure on investors, who have recently been offered razor-thin new-issue premiums in the primary market.

"From a total return sense, you're underwater due to the upward yield pressure from the US rates market, and that's got some people stepping away and waiting for better value," said Hayden Briscoe, head of Asia Pacific fixed income for UBS Asset Management.

"Credit spread valuations have tightened across Asia Pacific ex-Japan and it's difficult to see credit spreads rallying significantly in investment grade, while high yield offers value in the shorter maturities."

As a precaution, Briscoe said he also planned to rotate out of US dollar credits in the mining and commodities sector and back into China.

Even Chinese investors, who account for a large portion of Asian US dollar bond liquidity, have turned more selective in recent days, and have decided to wait out the volatility until better value emerges.

"We still have net inflows, but we prefer to wait for better new-issue premiums after this correction," said a bond fund manager at a Chinese real-money investment firm. "Equity markets are also consolidating and there's also some rebalancing in Treasury markets."

This week may be the last window to issue offshore bonds before Lunar New Year, with a week-long Chinese holiday beginning on February 15. Given the short window, Cinda decided to pull the trigger last week, while GREENLAND HOLDING GROUP COMPANY began marketing three and five-year US dollar notes on Friday at 5.75% area and 6.375% area respectively.

After this week, some mainland issuers may anxiously wait to tap the market after the holidays before their offshore debt quotas expire at the end of March.

YANGO NOWHERE

Still, issuers remain reluctant to pay higher levels, bankers report – as Yango demonstrated

"Bookrunners have told the issuer that sentiment was worse than the week before, but Yango Group's management was unwilling to pay a premium for the notes and decided to postpone the deal," a banker said.

"Even if it could price at IPG, it was not what the issuer was looking for. It aimed to price at a lower yield."

Yango struggled to convince investors that it offered good relative value after Ronshine China Holdings priced a US$325m 8.25% three-year put two note at 98.066 to yield 9.00% on January 25, the highest yield an offshore bond issuer has paid so far this year. CHINA LOGISTICS PROPERTY HOLDINGS also priced a US$100m 362-day note at 9.0% last Thursday, after failing to tighten guidance.

"Ronshine priced effectively two-year bonds at 9% with notes rated a notch higher than Yango's. There is no ground to convince investors," the banker said.

Ronshine is rated B2/B/B+, while Yango is B2/B/B. Fitch rated Ronshine's new notes B+ and gave an expected B− rating to Yango's proposed issue.

Frances Yoon

CHINESE AIRLINE FILES TO PRO-BOND MARKET

CHINA EASTERN AIRLINES has filed to the Tokyo Pro-bond market programme information under which the carrier can issue bonds of up to ¥50bn (US$457m).

The scheduled issuance period is from February 2 2018 to February 1 2019.

The Pro-bond market is for professional investors and has lighter disclosure requirements for issuers than the Samurai market, such as accepting English documentation.

SHANSHUI WORKS ON DEBT CHANGE

Embattled CHINA SHANSHUI CEMENT said two holders of its US$500m 7.50% US dollar bonds due 2020 had agreed to support its debt-rescheduling plan.

The Hong Kong-listed company, as issuer, and subsidiary guarantors of the notes entered into a rescheduling-support agreement with the pair on January 24, it said in a stock exchange filing.

The terms of the proposed rescheduling are to be finalised between the company and bondholders.

Shanshui did not reveal how much of the bonds the two own, but said it would continue to seek the support of other holders.

The outstanding amount of the 7.50% 2020s is US$427.254m, according to Thomson Reuters data.

Shanshui defaulted on both onshore and offshore bonds in 2015 amid a power struggle among major shareholders.

Some holders of the 7.50% 2020s filed a lawsuit in the US last November to demand the repayment of principal and interest, plus related costs.

The Chinese cement producer's shares have under trading suspension since April 16 2015.

Last December, the Hong Kong stock exchange initiated a procedure to cancel Shanshui's listing if it was not able to restore a minimum public float of 25% of its issued share capital and address its audit issues by mid-2018.

INDIA

INDIABULLS SELLS THREE-YEAR MASALAS

INDIABULLS HOUSING FINANCE has raised Rs3.15bn (US$50m) from three-year Masala bonds at 7.8%, according to a release to exchanges.

HSBC was the sole arranger on the offering.

The notes will be issued under a EMTN programme set up earlier this month.

"There is good demand for Masala notes because of the lack of supply in the market," said a source. "We should see more issuers tap the Masala bond market in the coming weeks."

Indian Renewable Energy Development Agency was the last Indian issuer to print Masala bonds last September, when it raised Rs19.5bn from five-year Green Masalas at 7.23%.

The proceeds from the Indiabulls issue will be for affordable housing under the social bond principles of the International Capital Market Association.

Indiabulls has also mandated *Barclays*, *Citigroup*, *Credit Suisse*, *HSBC*, *MUFG Securities* and *Yes Bank* to sell five-year Masala bonds, according to sources.

The issuer recently received approval from the Reserve Bank of India to sell Masala bonds of up to US$50m at a minimum three-year tenor and US$700m at a minimum five-year tenor.

In September 2017, Indiabulls raised Rs13.3bn from three-year Masala notes at 8.567%.

INDONESIA

SULFINDO ADIUSAHA HIRES FOR DOLLARS

SULFINDO ADIUSAHA hired two banks to arrange meetings with fixed-income investors in Hong Kong, Singapore and London, starting January 30.

The Indonesian chloralkali producer, rated B2/B (Moody's/Fitch), named *BNP Paribas* and *Credit Suisse* as joint bookrunners and joint lead managers.

Republic leads Green sovereign pack with comeback trade

■ **POLAND First sovereign Green bond issuer brings sequel**

POLAND further grew its credentials as one of the leading sovereign Green bond issuers, becoming the only state to tap that market twice as others have yet to show their hand.

The issuer, which was the first to bring a sovereign Green bond back in 2016, successfully printed a €1bn August 2026 deal on more than €3.4bn of demand, a much larger book than it received for its inaugural Green bond.

While many sovereigns were said to be lining up Green bonds in 2017, France is the only other European sovereign to have raised a Green bond and the asset class has yet to reach a critical mass.

"Poland committed very strongly in 2016 that it would come on a yearly basis in the Green format," said Cecile Camilli, head of CEEMEA debt capital markets, Societe Generale.

"This was a very strong message that they are honouring their commitment – even more so by issuing a larger size, printing at the upper end of what they were considering."

The Climate Bond Initiative estimates that Green bond issuance will reach US$250bn in 2018, an increase of almost 95% versus 2017.

Most of this supply is expected to come from corporates and banks in developed countries but emerging markets, sovereigns, municipals and green securitisations will see an increase.

"Emerging markets are starting to become more and more aware of this trend and also interested in the benefits that it can bring," said Camilli.

"We will see on the trading side if there's stronger performance. We're seeing benefits for Green bonds there."

But in primary, issuers have not yet been able to get a pricing benefit from doing a Green bond versus a non-Green one.

"Once there is growth in both issuance and investor demand, we will see the difference between Green and conventional pricing more clearly," said Kirill Dikijs, an emerging markets origination banker at BNP Paribas.

While Poland's trade came at 23bp over mid-swaps, much tighter than the 35bp area IPTs, it was flat to a hypothetical 8-1/2-year conventional bond pricing according to Piotr Nowak, undersecretary of state in the Ministry of Finance.

"We saw very strong demand from investors," he said, despite the price tightening.

"The strong interest allowed us to raise the size of the transaction to €1bn from €500m initially planned. The structure of buyers was well diversified both geographically and institutionally with 41% of the allocation going to designated Green accounts."

Nowak added that in comparison with its previous issuance, there was higher participation from French and Polish investors.

NOT AN EASY PATH

One of the reasons why sovereign issuers have been reluctant to do Green bonds is the fear of having orphan instruments that are illiquid and trade at odds with the rest of their curves.

"The future will involve ensuring issuers – particularly sovereign issuers with sizeable funding needs that are concerned about optimal funding – about how they can do Green without sacrificing the benefits of generally being the largest issuer in their local markets," said Stephanie Sfakianos, head of sustainable capital markets at BNP Paribas.

For Poland however, this second Green bond is only just the beginning.

"After having issued Green bonds denominated in euros we can think of launching dollar bonds," said Nowak, who added the sovereign was keen to diversify its investor base but also achieve tight pricing.

BNPP, Citigroup, Commerzbank, Societe Generale and *PKO Bank* were bookrunners.

Merle Crichton, Robert Hogg

A Reg S offering of US dollar notes may follow.

MONGOLIA

❱ MONGOLYN ALT GOES SOLO WITH JPM

Mining group MONGOLYN ALT mandated *JP Morgan* as sole global coordinator and bookrunner to arrange meetings with fixed-income investors.

The roadshow in Hong Kong, Singapore, London and New York started last Monday for a potential offering of US dollar bonds.

An offering of unrated 144A/Reg S senior five-year non-call three notes may follow, subject to market conditions.

SINGAPORE

❱ RHODIUM HIRES FOR DOLLAR SENIOR

Singapore-based commodities trader RHODIUM RESOURCES, rated B/B– (S&P/Fitch), has hired two banks to arrange meetings and calls with fixed-income investors in Singapore, Hong Kong and Europe.

ANZ and *BNP Paribas* were named joint global coordinators and joint bookrunners for the meetings and calls, starting January 29.

A Reg S offering of US dollar senior fixed-rate notes may follow.

The notes are expected to be rated B/B– (S&P/Fitch).

EUROPE/AFRICA

KAZAKHSTAN

❱ KAZAKH ISSUERS PREPARE THE GROUND

NOSTRUM OIL is seeking to refinance the due 2019 notes issued by its subsidiary Zhaikmunai with a seven-year dollar trade.

The company is intending to call its 6.375% February 2019s and 7.125% November 2019s.

The company passed a big test in July when it followed up a tender and consent offer with a new issue that gave it breathing space as it tried to put some difficult times behind it.

The US$725m 8% notes, due July 2022 and callable in 2019, priced at par. They are bid at 105.523 according to Tradeweb.

Nostrum is rated B2 by Moody's and B by S&P. Both rating agencies have the company on negative outlook.

Meetings will begin in Europe and the US on February 2.

Banca IMI, *Citigroup*, *Deutsche Bank* and *VTB Capital* are joint bookrunners.

In addition to Nostrum, state-owned oil and gas company KAZMUNAIGAS has sent a request for proposals to banks for a Eurobond issuance, according to sources.

KMG raised US$2.75bn through the issue of five, 10 and 30-year notes in April.

The 2022s are bid at 100.96 to yield 3.626%, the 2027s are bid at 104.029 with a 4.217% yield and the 2047s are up at 106.603, yielding 5.303%.

In November, S&P commented that the Kazakh government is planning to privatize a minority stake in KMG in the coming years.

The company tried more than once in 2017 to amend the terms of its bonds and strip out restrictive covenants. The moves achieved mixed results, with investors giving the green light to only some of the consent solicitations.

ROMANIA

SOVEREIGN STANDS ON TWO LEGS

ROMANIA crunched in pricing and took advantage of solid demand as it raised €2bn through a dual-tranche issue on Thursday.

The sovereign offered 12 and 20-year notes. There was a slight skew in investor interest towards the longer bond. Combined books closed at over €5.3bn.

"A lot of sovereign supply has been around 10 years, so the books for the 20-year probably outperformed based on pent-up demand," said a lead.

"Maybe it's a different rating category to [Western European] names, but you've also got the long-end guys hunting for yield."

Romania (Baa3/BBB-/BBB-) began marketing the February 2030s at 150bp area over swaps. Leads sent out pre-announcement levels showing Romania's 2028s at plus 119bp.

The sovereign also initially offered February 2038s at swaps plus 210bp area. Leads saw Romania's October 2035s at plus 173bp.

A banker away from the deal said the bonds were offering a new issue premium of 25bp on both legs.

"Maybe a little bit on the defensive side, but I wouldn't have gone tighter than 20bp anyway," he said. "Given how well received recent euro sovereign deals were, I think there is scope for a massive tightening here. I would be shocked if they don't tighten by at least 15bp."

Romania beat those expectations, bringing in pricing by 17bp on the 12-year and 20bp on the longer leg.

The two prints both came at the tight end of final guidance, at 133bp over swaps for €750m 2.50% February 2030s and at plus 190bp for €1.25bn 3.45% February 2038s.

The lead saw the deals coming with a concession of just 1bp on both tranches, based on the pre-announcement levels.

"You usually lose orders during the process with an aggressive outcome but a lot of real money stayed in there," he said. "We lost roughly 10% after the final revision, but demand was still really good."

The €2bn deal took out a major part of the €4.5bn-€5bn target that Romania's finance ministry said in December it plans to sell in 2018.

Barclays, *Erste*, *ING*, *Societe Generale* and *UniCredit* were the bookrunners.

Etihad scrambles to shore up US$1.2bn bonds before coupon crunch

UNITED ARAB EMIRATES Abu Dhabi airline explores ways to avert technical default

ETIHAD AIRWAYS is urgently examining ways to avert a technical default of some US$1.2bn in bonds indirectly linked to the Gulf airline, sources close to the situation told Reuters.

An Amsterdam-based special purpose vehicle called SPV Equity Alliance Partners (EAP) was set up in 2015 and issued two bonds for Etihad and other airlines it partially owned at the time, including ALITALIA and AIR BERLIN, which are both now insolvent.

The bonds are quoted at a discount of more than 25 cents on the dollar after Alitalia entered special administration and Air Berlin filed for bankruptcy protection last year.

Etihad could now end up spending hundreds of millions of dollars to keep the bond structure alive, although it is not legally obliged to do so as there is no cross-default provision in the bond documentation, the sources said.

With more than US$400m of EAP debt in the hands of United Arab Emirates investors, there is political and reputational pressure on the Abu Dhabi carrier to avoid a default in March and Etihad is holding internal talks to assess whether and how to support the bonds, the sources said.

An Etihad spokesman declined to comment on the bonds, the proceeds of which were used to enter into separate debt obligations with each entity involved, with those of Alitalia and Air Berlin each amounting to around 19%.

Until now a credit enhancement mechanism has covered coupon payments that were due to be paid by the defaulting airlines, but if this "liquidity pool" is used to pay coupons due in March and June it will drop below 75% of the original balance.

This would trigger a "remarketing event" in which defaulted debt obligations would be auctioned for cash, according to the documentation of the EAP bonds, a US$700m bond maturing in 2020 and a US$500m bond due to be repaid in 2021.

Etihad spent billions of dollars on airline acquisitions that failed to deliver expected returns. The state-owned airline once owned minority stakes in eight other carriers.

At the time of the bond issues through EAP, they were seen as strengthening Etihad's partnerships with the other airlines. However, it has since sold two, while Alitalia and Air Berlin have declared insolvency.

Etihad posted its first loss in six years in 2016 and began a strategic overhaul. Last month it pulled its Airbus freighter fleet from service and asked some pilots to take unpaid leave.

COMPLEX SOLUTIONS

None of the potential solutions are straightforward, the sources said, but Etihad could reach one over the next few weeks and one idea being considered, two sources said, is that Etihad could buy Alitalia's mini-bond within EAP.

Etihad agreed at the end of 2016 to repay the principal of Alitalia's portion of debt issued by EAP, equivalent to US$235m. But this was signed before Alitalia's workers rejected a restructuring plan for the Italian carrier in early 2017, leading the company to bankruptcy.

With Alitalia now under administration, it is not clear whether the agreement would succeed in repaying Alitalia's debt in the EAP bonds, as it could be used by the administrator to repay Alitalia's more senior creditors.

Alitalia did not respond to a request for comment.

Another option might be for Etihad to pay directly into the EAP bonds' liquidity pool, to guarantee coupon payments.

"If Etihad does nothing, they'll end up paying a lot. If they don't try to save EAP, their reputation for sophisticated financial management would take a battering," one source said.

Davide Barbuscia. Stanley Carvalho
Additional reporting by Alexander Cornwell

MIDDLE EAST

ISRAEL

ISRAEL ELECTRIC GETS BOND GEARS WHIRRING

ISRAEL ELECTRIC is hitting the road on Monday, starting investor meetings in the US and Europe.

The company, 99.846% owned by the government, is aiming to place a US dollar medium-tenor bond.

Israel Electric has several US dollar bonds outstanding. Its last trip to the international bond markets was in 2014, when it sold US$1.25bn 5% November 2024 notes in the firm's largest-ever single-tranche bond.

Those bonds are bid at 107.25 to yield 3.775%, according to Tradeweb.

Citigroup and *JP Morgan* are joint bookrunners.

QATAR

CBQ IN TALKS FOR LOAN OR BOND

COMMERCIAL BANK OF QATAR, the Gulf state's third-largest lender by assets, is in talks with banks about a syndicated loan of up to US$500m, two sources familiar with the matter told Reuters.

Raising money through a loan was one option open to the bank, which was also considering bonds as part of its normal funding pattern, one of the sources said.

Qatari banks have been seeking to diversify their funding sources since June last year when Qatar became locked in a dispute with Saudi Arabia, the United Arab Emirates, Egypt and Bahrain. The rift involved the latter four cutting diplomatic and transport ties with Doha and led to banks from those countries pulling funds out of Qatar.

CBQ Group Chief Executive Joseph Abraham told Reuters in September that the bank was considering borrowing on the Taiwanese bond market. One of the sources Reuters spoke to last Sunday said CBQ was also considering other bond markets such as Australia and Switzerland.

One of the sources said CBQ would push ahead with bonds or a loan or both, adding that the loan could range between US$200m and US$500m.

UAE

FIRST PANDA BOND FROM THE MIDDLE EAST

SHARJAH, the third largest constituent of the United Arab Emirates, has become the first Middle Eastern issuer to sell Panda bonds, paving the way for more cash-strapped Gulf sovereigns to raise funds in China.

The government of the Emirate of Sharjah, rated A3/BBB+ (Moody's/S&P) internationally and AAA by China's Lianhe Credit Ratings, priced Rmb2bn (US$318m) three-year Panda bonds at par to yield at 5.80%, inside price guidance of 5.40%–6.00%.

The bonds offered a 103bp premium to China Development Bank's three-year notes, quoted at around 4.77% on the same day. The policy bank is rated Aa3/AA– (Moody's/S&P).

Bankers familiar with the deal said Sharjah could have achieved a lower funding cost if it had issued US dollar bonds, but that gaining access to the renminbi market gave it more financial flexibility.

"Overall, Chinese onshore bond yields are rising. As a new issuer in the market and an unfamiliar name to onshore investors, giving some premium was a must," a banker on the deal said, without putting a number on the size of the premium.

The banker said final pricing was in line with fair value as previously estimated by the underwriters.

The deal was launched in the interbank bond market and was also available to offshore investors under the Bond Connect scheme.

Orders for the deal were not particularly strong, the banker said, declining to provide a number. Foreign investors, including foreign central banks, commercial banks and asset management companies, bought into the deal.

About 27% of the bonds were allocated to foreign investors, with a sizable part handled via Bond Connect.

The Sharjah offering is part of a rising tide of global bond issues from Gulf sovereigns and companies over the past year, as low oil prices have pushed state budgets into deficit and tightened liquidity in the countries' banking systems.

Moody's said in a December report that Sharjah's fiscal strength was constrained by a growing debt burden. It said the emirate had built up debt faster than revenues in the past few years, taking the debt-to-revenue ratio from 142% in 2014 to 203% in 2017.

Issuing renminbi bonds expands Sharjah's funding channels and could also raise its profile in China to promote tourism, a source familiar with the deal said.

"Tourism is one of the pillars of Sharjah's small economy. The issuer did the trade partly for publicity reasons to attract more Chinese tourists," said the source.

According to official data, more than 86,000 Chinese visitors stayed in Sharjah hotels in 2016, up 63% from the previous year.

Sharjah's deal was the first sovereign Panda bond offering this year and the fourth sovereign Panda issue after those of South Korea, Poland and Hungary. Hungary printed the last sovereign Panda bonds in July.

Other Middle Eastern countries are reportedly looking at issuing renminbi bonds. Reuters said last August that Saudi Arabia was considering partly funding itself in Chinese currency, quoting a senior official from the kingdom.

The banker on Sharjah's deal expected more Middle Eastern issuers to visit the Panda market in the future.

"Just like after Poland's Panda bond issue, Hungary followed suit and also printed one," he said.

The newly issued bonds were the first under Sharjah's Rmb3bn Panda bond programme registered with the National Association of Financial Market Institutional Investors.

The notes were issued in the name of **SHARJAH FINANCE DEPARTMENT**.

Proceeds will be remitted offshore, converted into dirhams and consolidated into Sharjah's budget, according to the prospectus.

Bank of China was lead underwriter and lead bookrunner on the offering, while *Industrial and Commercial Bank of China* was joint lead underwriter and joint bookrunner.

HSBC (China) and *Standard Chartered (China)* were also joint lead underwriters on the issue.

DUBAI ISLAMIC BANK SECURES FIVE-YEAR DEAL

DUBAI ISLAMIC BANK, the largest Islamic bank in the UAE, hit the upper end of its size

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	Citigroup	8	2,109.38	23.9
2	HSBC	2	963.37	10.9
3	Deutsche Bank	2	860.13	9.7
4	BNP Paribas	3	707.60	8.0
5	Commerzbank	3	598.24	6.8
6	Goldman Sachs	3	574.28	6.5
7	SG	4	455.48	5.2
8	Nova Ljubljanska Banka	1	300.63	3.4
=8	Jefferies	1	300.63	3.4
10	PKO BP	1	247.84	2.8
	Total	11	8,825.02	

Excluding equity-related debt.

Source: Thomson Reuters SDC code: L2

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	Standard Chartered	5	2,842.97	18.5
2	Citigroup	3	2,422.05	15.8
3	HSBC	7	2,144.45	14.0
4	Sumitomo Mitsui Finl	2	1,760.75	11.5
5	Deutsche Bank	5	1,092.21	7.1
6	Goldman Sachs	2	807.96	5.3
7	Credit Agricole	2	451.67	2.9
8	BAML	2	426.39	2.8
9	Morgan Stanley	2	329.43	2.1
10	RBC	2	296.67	1.9
	Total	14	15,366.52	

Excluding equity-related debt.

Source: Thomson Reuters SDC code: L5

target as it printed a US$1bn five-year sukuk on Tuesday.

The bank initially marketed a benchmark trade at swaps plus 130bp area. A banker away thought the bank could be aiming for a print between plus 110bp and 115bp.

"If they go for size then plus 115bp could make sense," he said. "I expect them to take US$750m, maybe even up to US$1bn."

Pricing was revised with guidance set at plus 115bp-120bp, to price in range. The bank raised US$1bn at the tight end.

A lead reckoned it came with a concession in the high single digits, based on extending DIB's existing 2022s.

At guidance the books were around US$1.8bn, including lead interest, then dropped off a touch to finish at roughly US$1.7bn.

"The amount of Islamic account participation was enough to allow the issuer to take this size at this level," said a banker close to the deal.

"We've not had many financial institution issuances out of the region due to the fact that banks were not rushing to finance expansion plans and growth. But we have got a few maturities coming up and banks will be looking to fund them."

The bank is rated A3 by Moody's and A by Fitch, both with stable outlooks.

Bank ABC, Dubai Islamic Bank, First Abu Dhabi Bank, HSBC, JP Morgan, KFH Capital, Sharjah Islamic Bank and *Standard Chartered* were joint lead managers and bookrunners.

ENBD EXTENDS ITS NICHE CURRENCY FORAY

EMIRATES NBD extended its foray into the niche markets over the course of the week.

On Monday, it brought a well subscribed five year Swiss franc senior deal.

Joint leads *BNP Paribas, Deutsche Bank* and *HSBC* opened books on a minimum SFr100m bond at mid-swaps plus 60bp area, before pricing a final SFr235m in line with the guidance, equivalent to Eidgenossenschaft (Swiss government bonds) plus 105bp.

The level was bang in line with the bank's euro curve when adjusted for the cross-currency swap.

Asset managers and private banks, almost all Swiss, took the majority of the paper.

Reverse enquiry allowed the bond to be increased by SFr50m at the same terms on Wednesday, taking the issue to an overall size of SFr285m.

The bank was also active in the Australian dollar market last week. It raised A$450m (US$360m) through a 10-year note at ASW+190bp. Initial price thoughts were SQ ASW+200bp area.

That level equated to Swiss franc swaps plus 230bp, putting it very wide of western currencies, but broadly in line with its outstanding Aussie dollar curve. The leads were *ANZ, Nomura* and *Emirates NBD Capital.*

The bank's not stopping there, however. It also mandated

DBS Bank, Emirates NBD Capital, HSBC and *Standard Chartered* to arrange investor meetings in Singapore on February 1 ahead of a Singapore dollar bond with a short to intermediate maturity. That deal had yet to materialise by the end of the week.

The bank also issued a US$285m 30-year non-call five Formosa bond last month. Emirates NBD is rated A3 by Moody's and A+ by Fitch.

LONDON COURT AGAIN FINDS FOR CREDITORS IN DANA GAS SUKUK DISPUTE

A London High Court judge again ruled in favour of creditors on Thursday in a dispute over whether United Arab Emirates energy company **DANA GAS** must repay US$700m of Islamic bonds, a source familiar with the court proceedings told Reuters.

Judge George Leggatt rejected an attempt by the company to overturn his decision last November that the purchase undertaking behind the sukuk was valid and enforceable.

There was no immediate comment from Dana.

AMERICAS

BRAZIL

JBS USA MAKES SURPRISE RETURN

JBS's US unit raised US$900m last week through a 10-year bond, making its first appearance in the international debt markets since top executives were arrested for insider trading.

While **JBS USA** essentially stuck to pricing of 6.75%, it did increase the size from US$700m to US$900m as it looked to refinance its existing 8.25% 2020.

At a final yield of 6.75%, the new 10-year non-call five came with a pick-up to the existing JBS USA's 2024s, which were trading at 5.92%, but inside the Brazilian parent's 2024s, which were being spotted at 7.20%, a banker said.

"They are being opportunistic as they don't have to do this," said a banker away from the deal. "The 2020s are callable at par so it is a positive NPV transaction."

The company is the world's biggest meat processor and owns big-name US brands such as Pilgrim's Pride and Swift.

But markets have been wary of the Brazilian parent where former chairman and chief executive, brothers Joesley and Wesley Batista, have been jailed on graft charges.

"The problem is the headline risk," said one investor.

This is the first time in years that a US bank has not been involved in a JBS USA issue.

On this occasion, *Barclays* (left), *RBC* and *BMO* were the leads. JBS USA's prior deals in 2015, 2014 and 2013 all included US banks, according to IFR data.

With a fairly benign maturity schedule the company can afford to be opportunistic and bide its time, said the banker.

"They don't have any impending maturities hanging over them," the banker said.

"If they had bond maturities coming due it would have been difficult. Investors would have had a gun to their heads."

JBS has seen leverage drop to 3.4x in the third quarter last year, down from 4.2x in the second quarter 2017, according to a report from Itau BBA.

"If the deleveraging cycle [continues] at the same speed, we believe that the risk perception could diminish despite the company's governance-related uncertainties," the bank's analysts wrote last year.

CSN PLOTS MARKET RETURN AFTER LONG HIATUS

Steel producer **CSN** has kicked off marketing for what will be its first dollar bond in six years as it looks to retire short-term debt.

The borrower will be in Los Angeles and London on February 5, in Boston, London and Switzerland on February 6 and in New York on February 7.

Proceeds will help finance a tender for its 6.875% 2019 and 6.5% 2020 bonds. CSN is offering a buyback price of par, including a US$30 early tender premium.

Ratings are B3/B-. *BB Securities*, *Bank of America Merrill Lynch*, *Bradesco* and *Morgan Stanley* have been mandated as joint bookrunners.

CHILE

SOVEREIGN FOLLOWS EURO WITH DOLLAR ISSUE

CHILE issued a US$2bn 10-year bond on Monday, returning to the market less than a week after tapping euros as it looked to retire debt maturing between 2020 and 2026.

Rates volatility had the sovereign testing the waters with relatively generous initial price thoughts of Treasuries plus 75bp - a nice pick-up to the existing 2026s that were trading at a G-spread of 37bp.

"Treasuries are whipping around so much that it is not a bad thing to start with a cushion," said a banker away from the deal.

Even so, with markets turning more bullish on Chile amid a rally in copper and following the electoral victory for conservative president-elect Sebastian Pinera, leads had little trouble tightening from there.

In the end, the deal printed at 99.941 with a 3.24% coupon to yield 3.247% or Treasuries plus 55bp, the tight end of guidance of 60bp area, plus or minus 5bp.

The sovereign raised €850m, or about US$1bn, the week before with an 11-year bond that priced at mid-swaps plus 35bp, putting it inside the 37bp that one banker thought was fair value.

Monday's deal is Chile's first 10-year in US dollars since January 2016, when it issued its 3.125% 2026s at Treasuries plus 130bp.

That is one of the bonds that the country targeted in the new tender. The others include the 3.875% 2020s, 3.25% 2021s, 2.25% 2022s and 3.125% 2026s.

The new money component came to US$1.015bn with the remaining US$985m accounting for switches from old bonds into the new security.

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	9	3,051.50	14.9
2	JP Morgan	9	2,508.79	12.3
3	BAML	9	2,289.56	11.2
4	BNP Paribas	5	2,086.05	10.2
5	Credit Suisse	3	1,199.22	5.9
6	Santander Global	5	1,120.02	5.5
7	Deutsche Bank	1	1,000.00	4.9
=7	Sumitomo Mitsui Finl	1	1,000.00	4.9
9	Barclays	3	958.16	4.7
10	Itau Unibanco	5	888.64	4.4
	Total	**21**	**20,416.10**	

Excluding equity-related debt.

Source: Thomson Reuters SDC code: L3

Bank of America Merrill Lynch, *Citigroup*, *Goldman Sachs* and *JP Morgan* were joint bookrunners on the trade.

COLOMBIA

GRAN TIERRA TAKES TO THE ROAD

GRAN TIERRA ENERGY International Holdings has started marketing a seven-year non-call four bond after mandating banks on the deal.

The borrower will be in Switzerland, Toronto and New York on February 5, in London and New York on February 6 and in Boston and Los Angeles on February 7.

Proceeds are being used to repay a revolver. Gran Tierra is headquartered in Canada but is focused on oil and natural gas E&P in Colombia. Expected ratings are B+/B+.

Credit Suisse and *RBS* are acting as joint global coordinators as well as joint bookrunners along with *Scotiabank*.

DOMINICAN REPUBLIC

SOVEREIGN READIES NEW BOND

The DOMINICAN REPUBLIC is readying a bond as it wraps up roadshows this week,

The sovereign, rated Ba3/BB–/BB–, will be in Boston on February 5, in New York on February 6 and in New York for conference calls on February 7.

The Caribbean nation is contemplating an intermediate or long-term US dollar deal or a US dollar bond combined with a local currency trade.

Citigroup and *JP Morgan* are acting as joint bookrunners.

MEXICO

CREDITO REAL MAKES ITS SWISS DEBUT

CREDITO REAL, the Mexican consumer and SME finance group, debuted in the Swiss franc market on Wednesday.

The bonds were sounded at the 3% area level on Tuesday by sole lead *Credit Suisse*. Books opened the next morning for a minimum SFr150m size at 2.875% to 3%.

It eventually priced for a SFr170m size at par to yield 2.875%.

The level, equivalent to 299.5bp over mid-swaps, put the new paper flat to a hypothetical US dollar deal, according to a lead official.

As to be expected given the high yield and low ratings of BB+/B+, the deal appealed heavily to retail and private banking clients, although an equally large number of asset managers took part.

Unusually for a bond in the currency, a good proportion (17.6%) of non-Swiss accounts took part. A very granular 43 accounts took part for an average ticket of just under SFr4m.

Credito Real became the first Latin American private sector entity ever to issue a sub-investment grade bond in the Swiss market.

PERU

CAMPOSOL EYES NEW BOND FORAY

Agricultural company CAMPOSOL will return to market this week as it looks to raise funding for a new tender.

The company was in London, Boston, New York and Los Angeles last week and will wrap up roadshows with calls on Monday.

At the same time, it has launched a tender for any and all of its US$147.5m 10.50% 2021s. It is offering a buyback price of 108.719, including a US$30 early tender payment.

Bank of America Merrill Lynch is acting as lead.

URUGUAY

LA JACINTA SOLAR STRETCHES TENOR WITH GREEN BOND

LA JACINTA SOLAR project has raised US$64.75m in the private placement market through a 24.5-year Green bond.

The deal, which has an average life of around 14.5 years, was priced with a coupon of around 5.5%, or about 300bp over the interpolated Treasury curve, said a source.

Thanks to an A/B bond structure including a loan from development bank the IDB, leads were able to place such a long tenor with insurance firms, the main buyers of the paper.

"We were able to place it under a multilateral umbrella," the source said. "This was one of the most important features to make investors lend with a longer tenor in a country like Uruguay."

The bond is rated Baa3 by Moody's, which provided a Green bond certification and assessment of GB2. Proceeds are going to refinance an existing construction loan.

The Jacinta project began commercial operations in September 2015. It is owned by Chicago-based Invenergy, which develops, owns and operates renewable and other clean energy generation and storage facilities in the Americas and Europe.

DNB Markets acted as lead.

❱ Cambodia 72 ❱ China 72 ❱ India 73 ❱ Japan 73 ❱ France 74 ❱ Israel 75 ❱ Italy 75
❱ UK 75 ❱ United States 76 ❱ Brazil 77 ❱ Leveraged Loans 77 ❱ Restructuring 84

■ FRONT STORY EUROPEAN MARKETS

LMA addresses tardy settlement

❱ Trade body pushes to cut times for primary syndications

❱ New timeline provides for a standard 27 business days

The Loan Market Association is introducing the prospect of financial penalties for banks that drag their heels settling primary loans by including delayed compensation for lenders that exceed recommended timelines.

The timeline applies equally to investment-grade and leveraged loans but is expected to have more impact in the leveraged loan market that has bigger syndicates of 100 investors or more – and multiple sub investors – which can make for painfully slow settlement.

> "This has been a challenging but necessary project. Not least of the challenges was gaining recognition and understanding from both investors and arrangers as to when they are on and off risk"

The LMA has been working on the guidance for around two years with underwriting banks, as the buyside has continued to call for faster settlement times and end a controversial practice that allows arranging banks to collect income while investors are on risk.

"This has been a challenging but necessary project. Not least of the challenges was gaining recognition and understanding from both investors and arrangers as to when they are on and off risk," said Nicholas Voisey, LMA managing director.

Banks attribute long settlement times less to economics than inefficient back offices operations and creaking IT systems, as well as the labour-intensive Know Your Customer process for counterparties, which is required by regulators.

"The view from the buyside is that banks are not inclined to solve this problem because they're sitting on a great margin income stream. It's not driven by seeing if we can squeeze an extra bit of margin, banks need to improve their IT to settle faster and KYC is a challenge for everyone," a loan syndicate head said.

The recommended timeline suggests a 'fast track' process of 14 days after allocation if KYC counterparty checks have been completed and a target of 27 days as a standard timeline if KYC has yet to be completed.

"That shows you how significant the KYC process is and what a drag it is on the settlement process," a senior banker said.

The standard 27-day timeline will apply, unless the facility agent has received forms and all KYC checks have been completed by the investor, the agent, and the arrangers/bookrunners within four business days of the allocation date, in which case the fast-track timeline will apply.

COMPENSATION

Banks that exceed the timeline may have to pay delayed compensation, consisting of a margin and/or recurring fees, but the timeline takes into account that underwriters remain 'on risk' and are the lender of record until their commitments have been transferred to an investor.

If settlement does not happen within the timeframe, compensation for the delay period will be payable to the investor on the transfer date by the underwriter.

Delayed compensation is already payable in the EMEA secondary loan market. The LMA updated its secondary trading documents in 2016, which included delayed compensation on trades that exceed its settlement timeframe of T+20 for distressed trades and T+10 for par trades.

The US loan trade body the Loan Syndication and Trading Association has been working to shorten settlement times, which it viewed as posing a threat to market liquidity after regulators threatened to categorise loans as non-liquid assets.

The LSTA introduced additional rules in late 2016 to penalise firms for delaying settling secondary loan trades beyond the recommended seven days.

LIMITED IMPACT?

The provision may have limited initial application as it currently only applies to deals that are only arranged by one bank as it was deemed too difficult to determine the role and impact of each banks' actions in a joint arranging scenario.

> "There's not that many deals that it will truly catch, as there's not that many sole underwritings, but it will focus banks. It's a good thing, we need to see improvement"

"There's not that many deals that it will truly catch, as there's not that many sole underwritings, but it will focus banks. It's a good thing, we need to see improvement," the loan syndicate head said.

The LMA's guidance is, however, a recommendation about best practice and is not legally binding, although the trade body is hoping that the market will adopt the framework and become self policing in this respect.

"It nevertheless establishes a framework within which settlement of primary syndication can reasonably be expected to occur," Voisey said.

Banks are circulating the LMA's guidance to deal teams, with the understanding that if they are in a sole arranging situation they will be under pressure to live by the recommendations, particularly if they are LMA members as most large institutions are.

It remains to be seen whether banks will actually part with cold, hard cash, but investors, including collateralised loan obligation funds which operate on thin margins, are thought to be more likely to work with big arranging banks that meet the guidelines.

Flexibility for legitimate delays in syndication has been addressed by providing for a reset of the standard timeline if required of up to 14 business days when extra time is needed to make transfers to investors.

Tessa Walsh, Alasdair Reilly

ASIA-PACIFIC

CAMBODIA

ACLEDA BANK DOUBLES LOAN SIZE

ACLEDA BANK has doubled the size of its five-year offshore loan to US$100m, with *Shin Kong Commercial Bank* as mandated lead arranger and bookrunner.

The loan, which pays an interest margin of 350bp over Libor and has a four-year average life, drew commitments totalling US$120m and allocations are being finalised.

Banks have been offered an all-in pricing of 360bp, via a 40bp upfront fee. Funds are for working capital.

In February 2015, Acleda obtained a US$70m two-year loan, made up of US$40m from MLAB International Finance Corp and US$30m from SMBC.

SMBC holds an 18.25% stake in Acleda, while Cofibred, subsidiary of Paris-based Bred Banque Populaire, and Japan's Orix control 12.25% each.

CHINA

LINGLONG TYRE SEEKS DEBUT LOAN

SHANDONG LINGLONG TYRE is making its debut for a US$200m-equivalent three-year term loan, with *ANZ* and *Standard Chartered* as original mandated lead arrangers and bookrunners.

The facility, which can be drawn in either euros or US dollars, pays an interest margin of 128bp over Libor and 118bp over Euribor, and has an average life of 2.83 years.

MLABs joining with US$30m or more will receive an all-in pricing of 165.10bp over Libor or 155.10bp over Euribor, via a 105bp participation fee, while MLAs committing US$20m–$29m will obtain an all-in of 160.16bp over Libor or 150.16bp over Euribor, via a 91bp fee and lead arrangers with US$10m–$19m will earn an all-in of 158.04bp over Libor or 148.04bp over Euribor, via a 85bp fee.

The borrower is Hong Kong Tiancheng Investment & Trading, while Shanghai-listed parent Shandong Linglong Tyre is the guarantor.

Funds will be used for general corporate purposes, refinancing and working capital.

FEH BACK FOR THREE-YEAR BULLET

Financial services firm FAR EAST HORIZON is returning for a US$800m-equivalent three-year bullet loan, only two months after it raised a same-sized facility.

China Construction Bank (Asia), *E Sun Commercial Bank*, Hong Kong branch, *Fubon Financial Holding*, *ICBC (Asia)*, *MUFG*, *Taishin International Bank*, *Westpac* and *Wing Lung Bank* are mandated lead arrangers and bookrunners on the latest financing, which can be drawn in either HK or US dollars. *Bank of Communications*, Macau branch, joined as MLA.

The facility carries an interest margin of 130bp over Libor or Hibor.

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	MUFG	29	1,336.72	19.4
2	Mizuho	4	1,324.86	19.3
3	Mega Financial	4	529.86	7.7
4	Bank of Taiwan	5	496.84	7.2
5	Deutsche Bank	1	340.00	4.9
6	Sumitomo Mitsui Finl	5	298.35	4.3
7	Axis Bank	1	266.16	3.9
8	DBS Group	2	252.00	3.7
9	Oversea-Chinese	1	223.77	3.3
=9	Bank of China	1	223.77	3.3
	Total	**56**	**6,872.88**	

Proportional credit

Source: Thomson Reuters SDC code: S3a

Soft outlook for infra lending

AUSTRALIA Slim pickings for lenders as privatisation pipeline slows

Dwindling privatisations in Australia are expected to hamper the 2018 infrastructure financing pipeline, limiting opportunities for lenders in a market that is becoming more competitive every year.

There are only a handful of deals in store for this year. They include the privatisation of New South Wales' 51% stake in the A$17bn (US$13.78bn) WestConnex motorway project and the multi-billion dollar Cross River Rail public-private partnership in Queensland.

However, the sheer size of these projects may prop up this year's infrastructure loan volumes to 2017 levels, according to bankers.

A loan of A$5bn-plus could emerge for the bidder succeeding in buying the majority stake in NSW's Sydney Motor Corporation, which owns the 3km network of roads and tunnel connecting two toll roads called WestConnex. The total financing required would be as much as A$10bn, including equity, to buy the 51% stake and fund the construction of the third phase. Preliminary bids are due in late February.

Queensland state's A$5bn Cross River Rail project, which includes a tunnel and underground stations beneath the Brisbane River and the central business district, has also received expressions of interest. The winning bidder could raise several billion dollars of debt for the project.

Beside these two mega deals, the pickings are slim, bankers say. Victoria and Western Australia are selling their land registries, while the former is considering another package of road upgrades after closing the A$1.8bn Western Roads Upgrade Project in December. A tender of up to A$1bn to replace rolling stock in the New South Wales regional train network is also under way.

However, these opportunities pale in comparison with past deals. Infrastructure loans for airports, ports, hospitals, rail, roads and schools were already decelerating in 2017, with the US$6bn in deals representing a 53% plunge from the US$12.8bn transacted in 2016, according to Thomson Reuters LPC data.

TOUGH COMPETITION

Even when the flow is robust, abundant liquidity and intense competition among lenders result in most of the transactions being clubbed. For instance, despite its jumbo size, 18 lenders clubbed a A$5.92bn loan for the privatisation of NSW power grid Endeavour Energy last June.

Infrastructure deals of less than A$1.5bn in size can easily be clubbed among 10–12 lenders, according to loan syndicators.

The thinning pipeline will make it even more difficult to get a piece of the action.

"It is difficult to get a chance to do these public-private partnerships. They are not large deals and tend to be clubbed," said a loans banker at an offshore Asian bank.

Not surprisingly, given the lack of deals available to lenders, the A$3.5bn borrowing for Metro Tunnel, which is in syndication, is drawing strong interest, although the minimum ticket size of A$100m could be a hurdle for smaller banks.

Increasingly, foreign banks, attracted to the high-quality assets in infrastructure financings are chipping away at the dominance of established players in this segment. Domestic and international banks operating in Australia are finding their grip on infrastructure financings loosening.

"Foreign banks are coming in with more flexible terms and pricing than the Aussie banks and established players," said a senior loans banker.

Sharon Klyne

Lead arrangers joining for US$50m or more will get an all-in pricing of 155bp, via a 75bp fee, arrangers for US$20m–$49m will get an all-in of 150bp, via a 60bp fee and managers for US$10m–$19m will get an all-in of 143bp via a 39bp fee.

The borrower's subsidiary International Far Eastern Leasing is providing a letter of comfort.

Funds are for working capital and refinancing purposes.

FEH is also in the onshore market for a Rmb1.2bn (US$184m) three-year term loan. First Commercial Bank, Korean Development Bank, OCBC Wing Hang Bank and SMBC are MLABs on this loan, paying a margin of 105% of the PBoC rate for a 2.7-year average life. MLAs for Rmb300m or more receive an all-in pricing of 112.8% of the PBoC rate through a 100bp participation fee.

Last November, FEH completed a US$800m-equivalent three-year bullet term loan. The loan paid a top-level all-in of 158.33bp, based on an interest margin of 130bp over Libor or Hibor and a 75bp fee.

Hong Kong-listed FEH is a unit of state-owned Sinochem Group.

› SCE SEEKS REFINANCING

CHINA SCE PROPERTY HOLDINGS is raising a US$300m-equivalent 3.5-year term loan for refinancing purposes through mandated lead arrangers and bookrunners *Bank of China (Hong Kong)*, *Hang Seng Bank* and *HSBC*.

The facility, which can be drawn in either HK or US dollars, offers an interest margin of 330bp over Libor or Hibor and has a 3.1-year average life.

Lenders are offered a top-level all-in pricing of 390bp and the lead arranger title for US$30m and above, via an upfront fee of 186bp, or an all-in of 380bp and the arranger title for US$15m–$29m, via a 155bp fee.

In December 2015, the borrower raised a US$400m dual-tranche incremental facility, with Bank of China (Hong Kong), Hang Seng, HSBC and Ping An Bank as MLABs.

The Hong Kong-listed company, headquartered in Shanghai, is engaged in property development, investment and management in China.

INDIA

› INDIABULLS BACK FOR US$200m REFI

INDIABULLS HOUSING FINANCE has returned for a five-year refinancing loan of up to US$200m with *MUFG* and *State Bank of India* as mandated lead arrangers and bookrunners.

The financing pays an interest margin of 120bp over Libor and has an average life of 3.56 years.

Lenders get a top-level all-in pricing of 143bp and the lead arranger title for US$20m–$29m, via a participation fee of 82bp, or an all-in of 138bp and the arranger title for US$10m–$19m, via a 64bp fee, or an all-in of 133bp and the manager title for US$5m–$9m, via a 46bp fee.

Funds will be used to refinance a like-sized five-year maiden loan completed in August 2016. Barclays was sole MLAB on the facility, which drew eight others in general syndication. That loan paid a top-level all-in of 220bp, based on an interest margin of 200bp over Libor.

The borrower previously raised a US$150m dual-tranche term loan last March. The loan comprises a US$125m dollar tranche and a US$25m-equivalent yen portion. The dollar portion offered a top-level all-in of 180bp, based on an interest margin of 155bp over Libor, while the yen piece offered a top-level all-in of 100bp, based on a margin of 75bp over Tibor. The loan has a remaining life of 3.1 years.

The borrower is India's second-largest private-sector housing finance firm, according to its website.

› REC SENDS RFP FOR US$400m

State-owned **RURAL ELECTRIFICATION CORPORATION** has sent out a request for proposals for a US$400m three-year financing to meet general corporate needs.

REC last signed a US$200m five-year bilateral with State Bank of India in July 2017.

Last March, REC raised a US$230m five-year syndicated facility. ANZ, MUFG and Mizuho Bank were mandated lead arrangers, bookrunners and underwriters on the facility, which drew 17 other lenders in general syndication. The bullet loan offered a top-level all-in pricing of 132bp, based on an interest margin of 80bp over Libor.

› PFC SEEKS FRESH FACILITY

POWER FINANCE CORPORATION has put out a request for proposals for a US$250m five-year loan, although the state-owned company is still out for a US$300m bullet of a similar tenor.

Funds will be used for general corporate purposes.

PFC launched its US$300m financing into general syndication in mid-January. MUFG, Mizuho Bank and State Bank of India are the mandated lead arrangers and bookrunners on the loan, which pays a top-level all-in pricing of 100bp, based on an interest margin of 70bp, and has a 4.5-year remaining life.

The borrower last raised foreign-currency debt in November 2015 when it signed a US$360m-equivalent yen bilateral loan with SBI.

JAPAN

› MIZUHO ARRANGES HYBRID FOR HULIC

Mizuho Bank was the mandated lead arranger of a ¥100bn (US$916m) 35-year hybrid loan for **HULIC**. *Development Bank of Japan* also joined in syndication.

The interest margin of the facility, which was was the first hybrid loan in Japan this year, will step up by 100bp after five years. The initial margin was not disclosed.

Japan Credit Rating Agency assigned a rating of A– and 50% equity treatment to the borrowing.

An initial drawdown of ¥60bn will take place on March 30 with the remainder on June 29. Funds are to boost Hulic's financial base.

On January 19, Hulic raised ¥50bn from 35-year non-call five subordinated bonds, which carry a 0.99% coupon for the first five years before stepping up to 187bp over six-month yen Libor thereafter.

The Tokyo Stock Exchange-listed borrower provides real-estate leasing and property development services.

› JOGMEC RETURNS FOR BULLET

JAPAN OIL GAS & METALS NATIONAL (Jogmec) is seeking a ¥36.818bn one-year bullet term loan, four months after its previous facility.

The interest rate of the government-guaranteed loan will be determined in conventional auctions with bids for pricing due on February 13. *Mizuho Bank* is the agent.

Drawdown is slated for February 28. Proceeds are for operating funds.

In September 2017, the borrower obtained a ¥21.203bn one-year term loan at zero interest following heavy oversubscription from lenders, such as regional banks.

› MCUBS MIDCITY RAISES BULLET

MCUBS MIDCITY INVESTMENT signed last Monday a ¥11bn bullet term loan for real estate acquisitions, the Tokyo Stock Exchange-listed REIT said.

The loan comprises a ¥2.7bn eight-year fixed interest rate tranche, a ¥1.2bn seven-year fixed interest rate tranche, a ¥2.7bn seven-year fixed interest rate tranche, a ¥2.4bn five-year tranche with a margin of 30bp over three-month Tibor and a ¥2bn one-year tranche with a margin of 17bp over one-month Tibor. The interest rates are yet to be determined.

Loan bankers pin hopes on M&A

2018 OUTLOOK Cash-rich private-equity funds expected to boost deal activity

Mergers and acquisition activity and synchronised global economic growth are expected to boost loan market volumes in 2018, according to participants at the Asia Pacific Loan Market Association's annual summit in Hong Kong.

"With more M&A, leveraged finance remaining strong and some of the business from the bond market coming back, [loan] volumes should go up [in 2018]," said Jose-Antonio Olano, Societe Generale's global head of loan syndicate during a roundtable at last week's event.

The market received a shot in the arm with the announcement that private-equity giant Blackstone Group is buying a 55% stake in the Financial and Risk business of Thomson Reuters in a deal valuing the unit at about US$20bn. The US$14bn in debt backing the purchase will be the largest leveraged buyout loan since 2013.

"For the first time in 10 years, you have three of the global regions growing very nicely. Private-equity firms have got billions of unspent money that has been raised in the 2016/2017 fundraising cycle," said Ray Doody, HSBC's global head of leveraged and acquisition finance.

"Notwithstanding some of the regulatory issues that the buyers are going to face, this will be a good year for M&A as a result of economic and CEO confidence."

Blackstone's purchase of the stake in the F&R unit of Thomson Reuters, expected to close in the second half of the year, will go some way towards bolstering the tally for 2018 after a blockbuster 2017. The value of deals hit a record last year, totalling US$3.6trn, according to Thomson Reuters data, as M&A activity surpassed US$3trn for the fourth year in a row.

REGULATORY HURDLES

Delegates did warn that M&A could face some resistance from regulatory bodies. For instance, on January 2, a US government panel rejected Ant Financial's US$1.2bn acquisition of US money transfer company MoneyGram International over national security concerns.

Chinese conglomerate HNA's purchase of US hedge fund Skybridge and the petroleum products, storage and logistics business of Swiss trader and miner Glencore have been left in limbo due to the company's opaque shareholdings and ownership structure.

Along with protectionism, rises in US interest rates will be another source of concern this year. Last Wednesday, the US Federal Reserve kept interest rates unchanged, but said inflation would likely rise in 2018, bolstering expectations that borrowing costs will continue to climb.

That would vindicate the pre-emptive refinancings on which some borrowers, particularly those from the US, have embarked.

Bankers pointed to signs of refinancing being affected already, with volumes in the US for the month of January down 40% compared with the same period in 2017. As a result, panellists noted that the quality of deals would have to go up in 2018 amid expectations of lacklustre deal flow.

Chien Mi Wong

Mizuho Bank was the arranger, while *Aozora Bank*, *Bank of Fukuoka*, *Development Bank of Japan*, *MUFG*, *Nishi-Nippon City Bank*, *SMBC* and *Sumitomo Mitsui Trust Bank* joined in syndication.

Funds, to be drawn on February 28, are to buy four office buildings.

In August, the borrower extended the tenor of its ¥15bn commitment line, arranged by Mizuho, to four from three years.

MACAU

VENETIAN BETS ON NEW FUNDS

Gaming giant **VENETIAN MACAU** is seeking a new US$1.465bn six-year term loan, as well as an amendment and extension of existing loans of US$6.35bn, in a repeat of similar exercises in previous years.

Venetian Macau will use US$215m of the new loan to repay before end-September the principal of a US$4.35bn term loan that forms part of the existing debt.

The company is looking to extend the tenor of the US$4.35bn term loan to match the new facility to September 30 2024 from 2022 and a US$2bn revolving credit to March 31 2024 from 2020. Lenders agreeing to amend and extend receive a 50bp fee.

The interest margin on the new term loan ranges from 125bp to 212.5bp over Libor, based on the borrower's leverage ratio. The current margin is 175bp.

Lenders can join the US$1.465bn six-year term loan at five ticket levels in general syndication.

Global coordinators or lead arrangers committing US$200m or more, US$150m–$199m, or US$100m–$149m will earn upfront fees of 145bp, 130bp or 115bp, respectively, while senior managers joining with US$50m–$99m receive a 100bp fee and managers coming in with under US$50m will receive a 90bp fee. Commitments are due on February 8.

The new loan has already received total commitments of over US$3bn. The term loan can be funded in Hong Kong dollars, Macau patacas or US dollars.

Funds will also go towards renovating and rebranding Sands Cotai Central, the casino resort that opened in April 2012.

The borrower on the new term loan is **VML US FINANCE**, while Sands China units Venetian Macau, Venetian Orient and Venetian Cotai are providing guarantees.

In August 2016, Venetian Macau US Finance raised a US$6.385bn dual-tranche club, split into a US$4.385bn six-year term loan and a US$2bn four-year revolver.

EUROPE/MIDDLE EAST/AFRICA

FRANCE

UNIBAIL-RODAMCO CLOSES BRIDGE

UNIBAIL-RODAMCO has closed syndication of the €6.1bn bridge loan backing its US$15.7bn acquisition of Australian shopping mall owner Westfield, after raising €11.2bn of commitments from the market.

The bridge loan was arranged by *Deutsche Bank* and *Goldman Sachs* and was syndicated to around 30 banks.

The company expects to refinance the bridge loan through €2bn of deeply subordinated perpetual hybrid securities and a combination of senior bond issuance and asset disposal proceeds.

Unibail-Rodamco expects to make around €3bn of disposals over the next few years as part of an ongoing portfolio review.

The financing will cover the US$5.6bn cash portion of the offer, any required refinancing at Westfield and Unibail-Rodamco, and transaction costs.

The company expects to retain its Single A credit rating from S&P with around €8bn of post-acquisition liquidity, including existing credit lines at Unibail-Rodamco and Westfield.

The acquisition will also be backed with around €8.7bn of Unibail-Rodamco shares. It is expected to be completed in the first half of 2018.

SANOFI TAPS FOR ABLYNX BUY

Healthcare group **SANOFI** is backing its €3.9bn acquisition of Belgian

biopharmaceuticals company **ABLYNX** with a credit facility from *BNP Paribas Fortis*.

The financing will provide certainty of funds for the acquisition and will not be further syndicated.

The acquisition is expected to close by the end of the second quarter and comes shortly after Sanofi's agreement to buy US haemophilia specialist Bioverativ for US$11.6bn.

That acquisition has no financing condition and will be funded through a combination of cash on hand and through new debt to be raised. AA/A1 rated Sanofi is cash-rich and has ready access to the capital markets.

Sanofi also has access to €8bn of syndicated revolving credit facilities. Those comprise a €4bn facility maturing in December 2020 and a €4bn facility maturing in December 2021.

GERMANY

DEUTSCHE GLASFASER SIGNS €650m LOAN

Fibre-optic network company **DEUTSCHE GLASFASER** has signed a €650m five-year loan via a syndicate of 10 banks led by *HSH Nordbank*.

The financing replaces the company's existing €225m loan on improved terms and backs the company's €1.5bn network roll-out and expansion plan.

The bank syndicate comprises existing lenders *ABN AMRO*, *HSH Nordbank*, *ING*, *KfW IPEX*, *NIBC* and *Societe Generale* plus new lenders *BNP Paribas*, *Kommunalkredit*, *Raiffeisen Bank International* and *SEB*.

HSH Nordbank said it had committed €150m to the financing.

The previous loan was put in place in 2015 when private equity firm KKR bought a majority stake in the company from Dutch fibre company Reggeborgh.

ISRAEL

TEVA AMENDS LOANS

Pharmaceuticals firm **TEVA** has amended its US dollar and yen term loans and revolving credit facilities to give it greater flexibility in its financial leverage ratio covenants.

The amended covenants allow a gradual increases in the leverage ratio from 5.0 times currently to 5.9 times during the third and fourth quarter of 2018, with a gradual decline to 3.5 times by December 31 2021.

The US dollar term loan totals US$1.6bn while the yen term loans total US$1.4bn. The amount of the undrawn US dollar revolving credit facility will be reduced to US$3bn from US$4.5bn.

Under the amendments Teva will not distribute common share dividends while its net debt to Ebitda is above 4.75 times. Although no pre-payment is required, if Teva decides to make a pre-payment using proceeds from divested assets of future debt issues, the payment must be applied on a pro rata basis between all US dollar and yen term loans.

The amendments received the support of lenders holding around 94% of the facilities.

Teva was saddled with huge debts after an acquisition spree including the US$40.5bn acquisition of Allergan Generics, which was completed in August 2016.

The company amended US$10.9bn of loans in September 2017, to allow maximum leverage of 5.0 times through to the end of 2018, gradually declining to 3.5 times by the end of 2020.

ITALY

AC MILAN SEEKS REFI

Soccer club **AC MILAN** has picked *Bank of America Merrill Lynch* to find lenders interested in refinancing the club and debt at its holding held by US hedge fund Elliott, Reuters reported.

Elliott gave Chinese businessman Li Yonghong a €180m lifeline last year to complete the purchase of the Serie A club plus €128m to inject into the team, fund the acquisition of players and allow the club to repay its debt with banks.

The loans, with an average interest rate of just below 10%, will have to be repaid by October. In case of default, Elliott could take over the club.

Earlier this month AC Milan's CEO Marco Fassone said he hoped to wrap up a refinancing deal by April.

SAFILO STARTS REFI TALKS

Eyewear company **SAFILO** has started talks with its lenders over the refinancing of its €150m revolving credit facility, which is due to mature in July 2018.

The financing was originally put in place on July 2014 and was underwritten by Intesa Sanpaolo, UniCredit and BNP Paribas.

The four-year facility was put in place as part of a €300m refinancing plan that also included €150m of equity-linked bonds.

SPAIN

IBERDROLA COMPLETES GREEN LOAN

IBERDROLA has signed €5.3bn of syndicated loans, the largest Green loan transaction globally.

The financing is an amendment, extension and increase of two existing loans comprising a €2.5bn revolving credit facility originally agreed in November 2013 and amended in February 2015 and a €1.9bn RCF originally agreed in April 2014 and also amended in February 2015.

The amount of the combined financing has been increased to €5.3bn, while maturities have been extended to February 2023 with options to extend by up to two years.

Margins on the loan were also amended to be linked to the progress of Iberdrola's CO_2 emissions, as certified by the environmental agency Vigeo-Eiris, in addition to credit ratings. Iberdrola is rated BBB+ by S&P and Baa1 by Moody's.

The loan also marks the return to pre-crisis levels in terms of pricing. The loan pays up to 27.5bp over Euribor, down from the 30bp paid on a €500m multicurrency syndicated loan agreed in June 2016.

The deal is Iberdrola's second Green loan, after a €500m loan that was agreed with BBVA last February, which was mostly used to finance projects linked to energy efficiency and renewables.

BBVA was also the facility agent and sustainability agent on the €5.3bn loan, which was syndicated to around 25 banks.

UK

INFORMA TAPS FOR UBM BUY

INFORMA is backing its £3.9bn acquisition of events organiser UBM with £1.6bn-equivalent of loans underwritten by *Bank of America Merrill Lynch*.

The financing, which has an initial maturity of 18 months with two six-month extension options, comprises a £700m acquisition term loan and a £400m and US$720m facility B that will be used to refinance existing UBM debt.

There is also a £855m multicurrency revolving credit facility to backstop Informa's existing revolving credit facility.

The acquisition loan will fund the cash portion of the acquisition, which will also be financed through £3.237bn of new Informa shares.

The financing pays an initial margin of 85bp over Libor, increasing to 110bp after 12 months, then 130bp after 15 months, 150bp

after 18 months, 175bp after 21 months, 200bp after 24 months, and 225bp after 27 months.

There is a 0% Libor floor. The loan also pays a commitment fee of 35% of the applicable margin.

Ticking fees start at 10bp after one month, rising to 20bp after two months and 25bp after three months.

Expected leverage on completion is around 3.0 times. Leverage is expected to drop below a target ceiling of 2.5 times over time, a level that is broadly consistent with an investment-grade profile, Informa said.

CAPITA EYES DEBT REDUCTION

Outsourcing company **CAPITA** is looking to reduce its debt as part of a complete overhaul of the company after it issued a profit warning on Wednesday causing it to lose nearly 50% of its market value.

The company will seek to raise cash through a rights issue and asset disposals as it faces the maturity of up to £520m of term loans in September.

Capita is planning a rights issue, which has been backed by a standby underwriting for up to £700m from Citigroup and Goldman Sachs.

The company will also use proceeds from the sale of non-core businesses to reduce debt in the short term and invest in the remaining core group businesses over time.

In addition, Capita will suspend dividends until it generates sustainable free cash flow, and it is also targeting cost savings.

The company expects net debt in the region of £1.15bn at year-end 2017 with leverage of around 2.25 times.

Capita will target medium-term leverage of between 1.0 and 2.0 times net debt to Ebitda and an investment-grade credit rating.

EMEA LOANS BOOKRUNNERS – FULLY SYNDICATED VOLUME

BOOKRUNNERS: 1/1/2018 TO DATE

Managing bank or group	No of issues	Total US$(m)	Share (%)
1 Goldman Sachs	1	3,787.80	14.2
=1 Deutsche Bank	1	3,787.80	14.2
3 BNP Paribas	7	1,857.90	7.0
4 ING	6	1,721.55	6.5
5 HSBC	5	1,524.91	5.7
=5 Credit Agricole	5	1,524.91	5.7
7 MUFG	4	1,388.56	5.2
8 Santander Global	5	1,132.16	4.3
9 BBVA	4	1,097.55	4.1
10 NatWest Markets	3	1,012.59	3.8
=10 Banca IMI	3	1,012.59	3.8
Total	**15**	**26,624.20**	

Proportional credit

Source: Thomson Reuters SDC code: R17

The company also has a £100m term loan due to mature in May 2019 and an undrawn £600m revolving credit facility, of which £81m matures in August 2020 and £519m in August 2021.

The revolver was originally arranged in August 2014 for five years with two one-year extension options. The facility was coordinated by bookrunning mandated lead arrangers HSBC Bank and Lloyds Bank.

LOW & BONAR EYES REFINANCING

Performance materials group **LOW & BONAR** is looking to refinance its existing €165m revolving credit facility.

The existing facility was put in place in July 2014 via Barclays, Comerica Bank, HSBC, ING, KBC, Santander and Royal Bank of Scotland, and is due to mature in July 2019.

That financing paid an initial margin of 150bp over Libor/Euribor, subsequently ranging between 100bp and 200bp depending on the level of net debt to Ebitda.

The company expects to complete the refinancing in the first half of 2018.

HICL RENEWS £400m LOAN

Infrastructure investor **HICL INFRASTRUCTURE CO** has renewed its existing £400m revolving credit facility for three years on improved terms.

The financing pays a margin of 165bp over Libor, down from the 170bp paid previously, and matures on May 31 2021.

Existing lenders *National Australia Bank*, *SMBC*, *Lloyds Bank*, *Royal Bank of Scotland*, *ING*, *Santander* and *HSBC* were joined by *Credit Agricole* on the renewed facility.

HICL increased the facility to £400m from £300m in May 2017 to back a pipeline of new opportunities it was evaluating.

NORTH AMERICA

UNITED STATES

DR PEPPER BACKED BY LOANS

The merger of US drinks companies **DR PEPPER SNAPPLE GROUP** and **KEURIG GREEN MOUNTAIN** is being backed with a 364-day unsecured bridge loan of up to US$13.1bn from *JP Morgan*, *Bank of America Merrill Lynch* and *Goldman Sachs*.

The reverse takeover, worth more than US$21bn, will be funded through the loan as well as a US$9bn equity investment from global investment firm JAB Holding.

Keurig will pay a special dividend of US$103.75 per share to Dr Pepper Snapple shareholders, for a total cash payment of US$18.7bn. The shareholders will retain a 13% share in the combined company, which will be called Keurig Dr Pepper.

JAB will be the controlling shareholder of the combined group while Mondelez International, JAB's partner in Keurig, will hold around a 13%-14% stake.

Despite total net debt at closing of around US$16.6bn, the combined company is expected to maintain an investment-grade rating.

Strong cashflow generation will help the company accelerate deleveraging and it is targeting net debt to Ebitda of below 3.0 times within two to three years after closing.

Keurig Dr Pepper will have pro forma combined 2017 annual revenues of around US$11bn, with brands including Dr Pepper, 7UP, Snapple, A&W, Mott's and Sunkist, and coffee brand Green Mountain Coffee Roasters.

HUBBELL DETAILS ACLARA FINANCING

HUBBELL, which manufactures electronic products, has agreed a term loan and revolving credit that support the all-cash acquisition of Aclara Technologies, an affiliate of Sun Capital Partners, for about US$1.1bn.

The company said *JP Morgan* is administrative agent for a five-year term loan of up to US$500m and a US$750m five-year revolving credit agreement.

The new revolver will replace an existing US$750m five-year agreement dated December 2015.

The revolver can be increased to up to US$1.25bn, and includes a US$50m sub-limit for issuing letters of credit.

The revolver is for general corporate purposes, including issuing commercial paper. The company said it can borrow up to US$225m of revolving loans on the merger closing date to partially finance the Aclara acquisition.

Revolver borrowings can be made in currencies including US dollars, euros, pounds sterling, Canadian and Swiss francs.

JP Morgan, *Bank of America Merrill Lynch* and *HSBC* are joint lead arrangers and joint bookrunners.

Pricing on the term loan is linked to ratings. For AA-/AA-/Aa3 the margin is 50bp over Libor; for A+/A+/A1 it is 62.5bp; for A/A/A2 it is 75bp; for A-/A-/A3 it is 87.5bp; for BBB+/BBB+/Baa1 it is 100bp; and for BBB/BBB/Baa2 or lower it is 112.5bp.

The company is rated A by S&P and Fitch, and Baa1 by Moody's.

Joining the term loan were *Bank of NY Mellon*, *Citigroup*, *TD Bank*, *Wells Fargo*, *US Bank*, *Citizens* and *Northern Trust*.

Pricing on the revolver is also linked to ratings. For AA-/AA-/Aa3 there is a margin of 46bp and with a facility fee of 4bp; for A+/A+/A1 the margin is 57.5bp and the facility fee is 5bp; for A/A/A2 it is 68bp and 7bp; for A-/A-/A3 it is 77.5bp and 10bp; for BBB+/BBB+/Baa1 it is 87.5bp and 12.5bp; and for BBB/BBB/Baa2 it is 97.5bp and 15bp.

Joining the revolver were Bank of NY Mellon, Citigroup, TD Bank, Wells Fargo, US Bank, Citizens, Northern Trust and Morgan Stanley.

Aclara provides meters, software and installation services to more than 800 electric, water and gas utilities worldwide.

DUO BACK XEROX, FUJIFILM JV

Citigroup and *Morgan Stanley* have provided US$2.5bn of committed financing to support a joint venture between XEROX CORP and Japan's FUJIFILM HOLDINGS.

The companies said in a press release that Xerox shareholders will receive a US$2.5bn special cash dividend and own 49.9% of the combined company.

The combined company will be called Fuji Xerox, with dual headquarters in Connecticut and in Japan.

Fujifilm Holdings is set to take over Xerox, combining the US company into their existing joint venture to gain scale and cut costs amid declining demand for office printing, Reuters reported. Fujifilm now owns 75% of Fuji Xerox, the joint venture dating back more than 50 years that sells photocopying products and services in the Asia-Pacific region.

The two companies said that Fuji Xerox will buy back that stake from Fujifilm for around US$6.1bn, using bank debt.

PHILIP MORRIS EXTENDS RCF

PHILIP MORRIS INTERNATIONAL has extended the term of its US$2bn revolving credit facility by a year to February 5 2019.

The loan was set to expire on February 6 2018.

Citibank Europe is administrative agent of the facility, which is dated February 2013.

All other terms and conditions remain in full force and effect.

The facility pays a margin of 15bp over Libor with a 10bp utilisation fee for drawings of over a third, and 20bp for drawings of over two-thirds. There is a commitment fee of 4bp on undrawn funds.

Philip Morris is rated A by S&P and A2 by Moody's.

KELLOGG AGREES US$2.5bn LOANS

Cereal maker KELLOGG CO announced a new five-year credit agreement allowing it to borrow up to US$1.5bn in addition to a 364-day facility for up to US$1bn.

JP Morgan, *Barclays*, *Bank of America Merrill Lynch*, *Citigroup*, *Rabobank*, *Morgan Stanley*, *MUFG* and *Wells Fargo* are joint lead arrangers and joint bookrunners.

Proceeds are for general corporate purposes.

There are 24 lenders on the five-year loan, which replaces the existing agreement dated February 2014 and set to mature in February 2019.

The five-year facility includes up to US$75m for letters of credit, and up to US$300m for European swingline loans.

The new 364-day loan replaces the existing loan dated January 31, 2017. The new loan can be extended by a year to January 29 2020.

Pricing on the five-year is linked to ratings. For A3/A-/A- or higher the margin is 91.5bp over Libor with a 8.5 facility fee; for Baa1/BBB+/BBB+ it is 102.5bp and 10bp; for Baa2/BBB/BBB it is 112.5bp and 12.5bp; for Baa3/BBB-/BBB- it is 120bp and 17.5bp; and for lower than Baa3/BBB-/BBB- it is 140bp and 15bp.

Pricing on the 364-day deal is 94bp over Libor with a 6bp fee for A3/A-/A- or higher; 104.5bp and 8bp for Baa1/BBB+/BBB+; 115bp and 10bp for Baa2/BBB/BBB; 125bp and 12.5bp for Baa3/BBB-/BBB-; and 147.5bp and 15bp for lower than Baa3/BBB-/BBB-.

The company is rated Baa2 by Moody's and BBB by S&P and Fitch.

LATIN AMERICA

BRAZIL

PETROBRAS LAUNCHES US$3bn DEAL

Oil company PETROBRAS has launched a US$3bn revolving credit facility into general syndication.

The applicable margin on the five-year senior unsecured facility is tied to a ratings grid and offers banks a spread of 170bp over Libor at the current ratings of Ba3/BB-/BB-.

The commitment fee on the unused portion of the facility will be 30% of the applicable margin.

Utilisation fees are zero if 33% or less of the facility is drawn, rising to 15bp if 34%-66% is drawn, and 30bp if 67% or more is drawn.

BNP Paribas, *Citigroup*, *Credit Agricole* and *Mizuho* are joint bookrunners on the deal.

MUFG has also joined as senior mandated lead arranger, while *Bank of America*, *HSBC*, *JP Morgan*, *Morgan Stanley*, *Santander* and *Scotiabank* are MLAs.

Proceeds will be used for general corporate purposes.

LEVERAGED LOANS

UNITED STATES

EAGLEPICHER DEAL TAKES SHAPE

Battery company EAGLEPICHER TECHNOLOGIES' leveraged buyout by private equity firm GTCR will be backed by US$565m of institutional term loans.

Jefferies will lead a bank syndicate that includes *Barclays* and *RBC Capital Markets*.

The financing is structured as a US$405m secured term loan with a first priority claim and a US$160m secured term loan with a second priority claim.

The debt package will include a revolving credit facility. Its size has not yet been finalised.

EaglePicher is currently part of Vectra Corp, the materials and chemicals firm previously known as OM Group.

Vectra is owned by private equity heavyweight Apollo Global Management, which took the company private in 2015 in a roughly US$1bn deal.

Apollo is planning to carve out Vectra's other business, magnetic material maker Vacuumschmelze, which it will continue to own.

LBOs have accounted for 12% of year-to-date US leveraged loan volume, which at US$86.6bn as of January 31 is down 8% year-over-year.

AMERICAS LOANS BOOKRUNNERS – FULLY SYNDICATED VOLUME

BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	BAML	38	10,292.34	17.6
2	Wells Fargo	26	6,143.08	10.5
3	JP Morgan	22	5,292.44	9.0
4	Citigroup	8	3,502.03	6.0
5	MUFG	7	2,710.42	4.6
6	Goldman Sachs	9	2,225.39	3.8
7	SunTrust Banks	11	2,221.29	3.8
8	US Bancorp	13	2,125.65	3.6
9	Mizuho	4	1,641.67	2.8
10	PNC Financial	13	1,489.49	2.5
	Total	**96**	**58,498.49**	

Proportional credit

Source: Thomson Reuters SDC code: R7

Syndication of the EaglePicher debt is expected to launch in late February, with funding and closing slated for early March.

The loans will bring leverage to 5 times through the senior tranche and 7 times total, based on US$80m on last 12 months' Ebitda.

GTCR will write an equity check for over 40% of capitalisation, implying total capitalisation of around US$950m.

INVICTUS, the fire safety and oil additives divisions of Israel Chemicals, has launched an US$815m credit facility backing its acquisition by financial sponsor SK Capital.

The funding comprises a US$100m five-year revolver, a US$545m seven-year first-lien term loan and a US$170m eight-year second-lien term loan.

Barclays is administrative agent on the first-lien portion and *Goldman Sachs* is administrative agent on the second-lien tranche. *HSBC* is also an arranger on the deal.

First-lien guidance is set at 350bp-375bp over Libor with a 0% floor and 99.5 OID. The term loan has 101 soft call protection for six months.

Second-lien guidance is set at 750bp-775bp over Libor with a 0% floor and a discount of 99. The term loan is callable at 102 in year one, then at 101 in year two.

Corporate family ratings are B2/B/B+. Facility ratings are B1/B+/BB+ for the first-lien and Caa1/CCC+/B for the second-lien.

ACCESS CIG, an information management services provider, will launch on Tuesday a US$1.01bn credit facility.

Jefferies, *Macquarie* and *Nomura* lead the deal.

The credit facility comprises a US$60m revolver, a US$575m first-lien term loan, a US$120m delayed draw first-lien term loan, a US$215m second-lien term loan and a US$40m delayed draw second-lien term loan.

Initial proceeds will be used to refinance existing debt, while proceeds from the delayed draw term loans are slated to fund acquisitions.

The first-lien term loan will have 101 soft call protection for six months, while the second-lien will be callable at 102 in year one, then at 101 in year two.

GOPHER RESOURCE SEEKS US$490m

GOPHER RESOURCE is marketing a US$490m loan to fund the company's acquisition by Energy Capital Partners.

The *Credit Suisse*-led deal is split between a US$40m revolver and a US$450m covenant-lite first-lien term loan.

The term loan is guided at a range of 375bp-400bp over Libor with a 1% floor. The seven-year loan is offered at a 99.5 OID and has 101 soft call protection for six months.

Gopher provides environmentally safe recycling of lead-based batteries.

IT staffing company **ON ASSIGNMENT** has obtained US$1.6bn in committed financing from *Wells Fargo* to back its acquisition of government services contractor ECS Federal.

Under the terms of the deal, On Assigment will acquire ECS for US$775m in cash from majority owner and founder Roy Kapani and private equity firm Lindsay Goldberg.

The financing comprises a US$200m revolving credit facility, which will be undrawn at close, and a US$1.4bn term loan B. The company expects to execute a portion of the financing via an amendment to its existing facilities.

Closing leverage is expected to be roughly 3.7 times.

ECS provides cyber security, cloud, IT modernisation and advanced science and engineering services to government agencies.

The transaction is slated to close on April 2, at which time On Assignment plans to change its name to ASGN Incorporated.

Investment firm **VICTORY CAPITAL MANAGEMENT** has reduced price talk on its US$325m term loan B.

RBC Capital Markets leads the loan, which is now guided at 275bp over Libor with a 0% floor and 99.75 OID, compared with opening guidance in the 300bp-325bp over Libor range with a 0% floor and a discount of 99.5 OID.

The transaction includes a US$50m revolving credit facility.

Proceeds from the deal, along with cash from an initial public offering, will be used to refinance debt, including a US$540m term loan B due in October 2021 that was repriced in July 2017 to 525bp over Libor from 750bp.

Victory filed for an IPO on January 11.

Existing ratings are B1/BB- corporate and facility and expected to be upgraded to Ba3/bb post-IPO.

SHUTTERFLY DETAILS ACQUISITION LOAN

SHUTTERFLY, the digital image company, has detailed an US$825m incremental loan being issued to back its purchase of privately-held Lifetouch for the same amount.

The acquisition of Lifetouch, a school photography company, is expected to close in the second quarter.

The add-on loan is expected to price at 300bp over Libor and to have soft call protection of 101 for six months. *Morgan Stanley* leads.

There will be quarterly amortisation of principal equal to 0.25% per year.

Shutterfly said it would suspend its share repurchase programme in order to focus on near-term deleveraging.

The company is rated BB- by S&P and Ba3 by Moody's.

Shutterfly, which allows customers to create personalised media and photo-based products online, in August 2017 priced a US$500m loan comprising a US$300m seven-year delayed-draw term loan and a US$200m five-year revolving credit.

The covenant-lite term loan priced at 250bp over Libor with a 0% floor and 99.5 discount. The revolver priced at 175bp with a 0% floor.

ROBERTSHAW HOLDINGS, a provider of heating and airconditioning systems and services to residential and commercial markets, will on Tuesday launch a US$605m buyout loan backing the company's sale to One Rock Capital Partners.

Deutsche Bank, *Credit Suisse* and *Jefferies* lead the deal, which is expected to be covenant-lite.

The financing comprises a US$480m seven-year first-lien term loan and a US$125m eight-year second-lien term loan.

Both loans will have 1% Libor floors. The first-lien tranche will have 101 soft call protection for six months, while the second-lien portion will be callable at 102, 101.

AMERICAN GAMING SYSTEMS is looking to reprice US$513m of first-lien term debt to a spread of 425bp over Libor with a 1% floor, offered at par.

The deal, led by *Jefferies*, would reset 101 soft call protection for six months.

The company last came to market in December 2017 to raise US$65m in first-lien incremental term debt. The add-on loan was issued at par after the 99.5 OID offered at launch was eliminated.

The spread on the loan cleared at 550bp over Libor with a 1% floor, in line with guidance. There was no call protection put in place. Proceeds from the new money were slated to fund an acquisition and for general corporate purposes.

Jefferies and Macquarie arranged the loan, which is governed by a first-lien net leverage covenant and comes due on February 15 2024.

Corporate family ratings are B3/B. First-lien facility ratings are B2/B.

Las Vegas-based American Gaming produces gaming products for casino floors.

SYNIVERSE SETS PRICE TALK ON REFI

Mobile phone technology provider **SYNIVERSE TECHNOLOGIES** has circulated guidance on its US$1.552bn first-lien term loan backing a refinancing.

Goldman Sachs leads with *Barclays*. Price talk on the five-year loan is 500bp-550bp

over Libor with a 1% floor and a 98.5 discount.

Lenders are offered six months of soft call protection at 101. The loan will amortise at 1% per year.

The financing will include a revolving credit facility up to US$120m.

Proceeds will be used to refinance the company's existing term loan due in April 2019 and pay transaction fees and expenses.

Ratings are B3/B corporate and B2/B facility. The deal prompted a one notch corporate rating upgrade from Moody's.

Publicly traded kitchenware and tableware products provider **LIFETIME BRANDS** has launched a US$275m first-lien term loan backing its acquisition of houseware company Filament Brands from Centre Partners.

JP Morgan leads the seven-year loan, guided at 400bp over Libor with a 1% floor and 99-99.5 discount.

Lenders are offered six months of soft call protection at 101.

Proceeds from the term loan and roughly US$50m of drawings under a new US$150m five-year asset-based revolving credit facility will be used to fund the US$315m acquisition.

Ratings are Ba3/B+ corporate and B1/B+ facility.

Centre Partners will own 27% of the combined company.

Hospital and medical group operator **PROSPECT MEDICAL** is in the market with a US$1.25bn first- and second-lien loan package backing a dividend recapitalisation.

JP Morgan leads the deal, which is split between a US$1.05bn six-year first-lien tranche and a US$200m seven-year second-lien tranche.

Guidance is circulating at 500bp-525bp over Libor with a 1% floor and 99 OID on the first-lien and at 900bp-925bp with a 1% floor and 98.5 OID on the second-lien.

The first-lien includes six months of soft call protection at 101, while the second-lien features a 102/101 hard call schedule.

Proceeds will be used to refinance the company's US$616m TLB due in 2022, prepay a portion of its underfunded pension, pay a dividend to shareholders including Leonard Green & Partners and cover fees and expenses.

ZOTEC LAUNCHES US$305m TL

ZOTEC PARTNERS, which provides billing and practice management services to physicians, has launched a US$305m first-lien term loan.

Goldman Sachs leads with *Wells Fargo*. The seven-year refinancing is guided at 425bp-450bp over Libor with a 1% floor and 99.5 discount.

Lenders are offered six months of soft call protection at 101.

The financing includes a US$20m revolving credit facility and will be governed by a total net leverage covenant.

Ratings are B3/B- corporate and facility.

Morgan Stanley and *Goldman Sachs* are providing debt financing for Leonard Green & Partners' leveraged buyout of packaging company **PROMACH**.

The deal values ProMach at an enterprise value of more than US$2.2bn, or 15 times ProMach's last 12 months' Ebitda.

Leonard Green is acquiring ProMach from AEA Investors, which bought the Covington, Kentucky-based company from private equity firm The Jordan Company in 2014 for an enterprise value of about US$1bn.

ProMach's packaging products include bottle-capping machinery and labelling equipment.

Pharmaceutical company **MALLINCKRODT** has circulated price talk on the US$500m term loan backing its purchase of Sucampo Pharmaceuticals.

Deutsche Bank leads with *Barclays* and *Citigroup*. Co-managers include *Credit Suisse*, *Goldman Sachs*, *Morgan Stanley*, *Wells Fargo*, *Mizuho* and *PNC*.

The term loan, which will mature on February 24 2025, is guided at 300bp over Libor with a 0.75% floor and a 99.75 discount.

Lenders are offered six months of soft call protection at 101.

The debt will amortise at 1%.

Ratings are BB-/Ba3 corporate and BB+/Ba1 facility.

SCIENTIFIC GAMES SEALS REPRICING

Slot machine company **SCIENTIFIC GAMES INTERNATIONAL** has repriced and upsized its term loan B by a total of US$900m to US$4.175bn.

The company had initially launched a repricing of the loan due August 2024 and proposed to add US$500m to take the size to US$3.775bn.

The additional proceeds will be used to refinance the remaining 7% senior secured notes due 2022, pay breakage costs and repay revolver borrowings.

The transaction also cuts the spread on the loan to 275bp over Libor with a 0% floor, the tight end of guidance of 275bp-300bp. The loan was previously priced at 325bp over Libor.

The new-money portion was offered at a 99.75 discount, while the existing debt will roll at par.

The loan has 101 soft call protection for six months.

Bank of America Merrill Lynch led alongside *Deutsche Bank*, *JP Morgan*, *Fifth Third*, *Credit Suisse*, *Citizens*, *Macquarie*, *PNC* and *Goldman Sachs*.

The issuer is rated B2/B and the loan is rated B1/B+.

FEECO, the fee business of insurance company AmTrust, has shifted US$35m to the first-lien portion of a US$727.5m credit, and downsized the second lien by the same amount.

Proceeds from the loan back private equity firm Madison Dearborn Partners' purchase of a 51% stake in the unit.

The covenant-lite transaction is now split between a US$552.5m seven-year first-lien term loan and a US$175m eight-year second-lien term loan.

BAML led alongside *Deutsche Bank*, *Barclays*, *Jefferies* and *CIBC*.

Pricing on the first-lien and second-lien term loans finished unchanged from initial guidance. The first-lien loan priced at 450bp over Libor with a 0% floor and a discount of 99.5. The second-lien loan cleared at 850bp over Libor with a 0% floor and a discount of 98.5.

The first-lien loan has six months of 101 soft call protection, while the second-lien loan includes hard call protection of 102/101.

The issuer is rated B3/B-. The first-lien loan is rated B2/B-, while the second-lien loan is rated Caa2/CCC.

Madison Dearborn is paying approximately US$950m for its stake in the fee business.

Global enterprise software provider **EPICOR SOFTWARE CORP** has wrapped a US$1.679bn repricing of its term loan B, which includes a US$100m incremental term loan.

The spread on the loan decreased to 325bp over Libor with a 0% floor, the tight end of guidance of 325bp-350bp.

The loan, due June 1 2022, sold at par and has 101 soft call protection for six months.

Proceeds from the loan reprice the company's first-lien term loan and repay existing second-lien notes, including a 2% prepayment penalty.

US LEVERAGED LOANS
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	BAML	18	4,498.74	17.2
2	Wells Fargo	12	2,730.23	10.5
3	Goldman Sachs	9	2,225.39	8.5
4	JP Morgan	8	1,922.17	7.4
5	Citigroup	4	1,595.43	6.1
6	SunTrust Banks	7	1,376.35	5.3
7	Morgan Stanley	6	1,076.01	4.1
8	Antares Capital	10	992.81	3.8
9	Citizens Financial	5	962.49	3.7
10	KeyBanc CM	4	861.67	3.3
	Total	**53**	**26,090.60**	

Excluding Project Finance.

Source: Thomson Reuters SDC code: P2

Jefferies and *KKR Capital Markets* arranged the transaction.

Corporate family ratings are B3/B-. First-lien facility ratings are B2/B-.

Epicor provides industry-specific enterprise software to promote business growth. KKR acquired the company from funds advised by Apax Partners in 2016.

LIBERTY MEDIA ALLOCATES REFI

Telecoms conglomerate **LIBERTY MEDIA** has allocated a US$2.9bn term loan refinancing at Formula One, the global motor sport it bought in 2016.

The US$2.902bn first-lien term loan B maturing in February 2024 repriced to 250bp from 300bp through the deal. It was previously $3.302bn in size; the refinancing used $150m of excess cash on balance sheet and $250m drawn from a revolving credit facility to pay down some of the debt.

The loan has soft call protection at 101 for six months. The existing loan is rated B2/B+.

JP Morgan arranged the deal, which is leverage-neutral with the refinanced term loan non-recourse to Liberty.

Delta Topco is the subsidiary that owns Formula 1.

In addition to Formula 1, Liberty Media has stakes in the Atlanta Braves Major League Baseball club, and US broadcaster SiriusXM.

The Formula 1 championship runs from March to November every year. In 2017 it was watched by over 350m television viewers across 185 territories.

Liberty Media bought Formula 1 from CVC in 2016 for an enterprise value of US$8bn.

LUCID ENERGY GROUP II has increased its term loan by US$50m and cut the spread by 50bp.

Proceeds from the now US$1bn credit facility back the company's US$1.6bn buyout by Riverstone Holdings and Goldman Sachs Merchant Banking Division.

Jefferies arranged the deal, which includes a US$50m super priority revolving credit and the upsized US$950m first-lien term loan.

The spread on the seven-year term loan decreased to 300bp over Libor from guidance of 350bp. The 1% floor and 99.5 OID were unchanged.

The loan also has 101 soft call protection for six months.

Lucid is a natural gas gathering and processing company operating in the core of the Northern Delaware Basin.

Optometry practice management company **MYEYEDR** closed a US$675m first-lien and second-lien loan package backing a refinancing of its capital structure.

Goldman Sachs led with *RBC*, *Credit Suisse*, *Barclays*, *Jefferies* and *Golub Capital*.

The financing is now split between a US$75m revolving credit facility, a US$465m first-lien term loan, and a US$135m second-lien term loan.

The structure at launch included a US$75m revolving credit facility, a US$440m first-lien term loan, and a US$160m second-lien term loan.

The seven-year first-lien priced at 300bp over Libor, with a stepdown to 275bp over Libor when gross first-lien leverage is 4.25 times and an additional 25bp stepdown following a qualifying IPO, a 1% floor and 99.75 OID.

The loan was previously guided at 325bp over Libor with a 1% floor and 99.5 OID.

The six-month, 101 soft call protection was unchanged.

The eight-year second-lien priced at 675bp over Libor with a 1% floor and 99.5 OID. Price talk was previously 725bp over Libor with a 1% floor and 99 OID.

The 102/101 hard call schedule was unchanged.

MyEyeDr parent Capital Vision Services is backed by Altas Partners and Caisse de depot et placement du Quebec.

TRICO ALLOCATES US$425m REFI

Windshield wiper manufacturer **TRICO PRODUCTS CORP** has set final terms for its US$425m first-lien term loan refinancing, led by *Goldman Sachs*.

The tenor of the loan has been shortened to six years, from seven initially.

Pricing widened to 650bp over Libor with a 1% floor and 98 OID, compared with 550bp over Libor with a 1% floor and a 98.5 OID at launch.

The loan now features a 102/101 hard call schedule, versus 12 months of soft call protection at 101 previously.

The amortisation schedule was accelerated to 2.5% in the first year and 5% thereafter, compared with 1% per year originally.

The debt will include a 5.75 times total net leverage covenant.

The company will also refinance its existing US$100m asset-based revolving credit facility with a new US$80m five-year ABL facility.

Proceeds will be used to take out a privately placed term loan and repay borrowings under the existing ABL facility.

Pro forma leverage is 4.3 times, based on US$100m of last 12 months' Ebitda at September 30, 2017.

Lighting manufacturer **LUMILEDS** wrapped up the repricing of its US$1.383bn term loan due in June 2024. *Deutsche Bank* led the covenant-lite deal with *Credit Suisse*.

The loan cleared at 350bp over Libor with a 1% floor and a par issue price, at the tight end of guidance of 350bp-375bp with a 1% floor and par offering price.

The transaction resets soft call protection at 101 for six months.

The loan was previously priced at 450bp over Libor with a 1% floor. It was placed in May 2016 to back the company's buyout by private equity firm Apollo Global Management.

The issuer and the debt are rated Ba3/B+.

Talent firm **CREATIVE ARTISTS AGENCY** has detailed final pricing on its US$770.2m term loan repricing.

Bank of America Merrill Lynch led the covenant-lite deal with *TPG*.

The company successfully decreased pricing to 300bp over Libor with a 0% floor as proposed. A stepdown to 275bp over Libor when first-lien net leverage is less than or equal to 2.75 times was added.

The loan was originally priced at 350bp over Libor with a 1% floor in February 2017.

The loan, due in February 2024, was offered to investors at par and also benefits from a reset of 101 soft call protection for six months.

The issuer is rated B2/B+. The loan is rated B2/BB-.

PHOENIX CUTS PRICING ON LBO LOAN

Steel mill services company **PHOENIX SERVICES INTERNATIONAL** tightened pricing on the term loan portion of a US$530m loan supporting its buyout by private equity firm Apollo Global Management.

The funding comprises a US$465m seven-year term loan and a US$65m revolving credit facility.

The final spread on the term loan decreased to 375bp over Libor with a 1% floor from guidance of 450bp. The discount narrowed to 99.5 from 99, initially.

The term loan still has six months of soft call protection at 101.

Barclays led with *Credit Suisse*, *Deutsche Bank* and *Royal Bank of Canada*.

Energy and infrastructure asset management firm **EIG MANAGEMENT COMPANY** revised pricing on a US$220m term loan B.

JP Morgan led the seven-year term loan, which priced at 375bp over Libor with a 1% floor and 99.625 discount, compared with 400bp-425bp with a 1% floor and 99.5 discount at launch.

Lenders are offered six months of soft call protection.

The financing will include a US$25m revolving credit facility.

Proceeds will be used to refinance existing debt and fund the acquisition of a stake in a new joint advisor to FS Energy and Power Fund.

EIG announced it would create a joint venture with alternative investment manager FS Investments to run FSEP.

Ratings are Ba2/BB+ corporate and facility.

Cloud-based marketing company MARKETO increased its term loan by US$30m and lowered the spread.

The spread on the now US$460m seven-year first-lien term loan is 325bp over Libor, decreased from guidance of 375bp-400bp.

The 0% Libor floor and 99.5 OID were unchanged from launch terms.

Proceeds from the term loan, together with a US$35m five-year revolver will be used to refinance debt and add cash to Marketo's balance sheet.

The term loan will amortise at 1% and includes six months of soft call protection at 101. The revolver is governed by a springing leverage covenant while the term loan is being proposed on a covenant-lite basis.

Morgan Stanley led alongside *Citigroup*, *Golub*, *Jefferies*, *Macquarie*, *Bank of America Merrill Lynch* and *Nomura*.

NATIONAL VET TIGHTENS PRICING

NATIONAL VETERINARY ASSOCIATES tightened pricing on a US$937m seven-year term loan that will be used to refinance the company's term loan B2.

Bank of America Merrill Lynch leads with *Royal Bank of Canada* and *Jefferies*.

The company cut pricing on the covenant-lite loan to 275bp over Libor with a 1% floor after opening at 300bp-325bp. The discount was set at 99.75, on the tight end of guidance of 99.5-99.75.

The deal includes six months of soft call protection at 101.

The issuer is rated B3/B and the loan is rated B1/B.

The company operates about 550 veterinary facilities in North America, Australia and New Zealand.

Electric Raceway products maker ATKORE INTERNATIONAL cut pricing on a US$425m add-on to its term loan due in December 2023 and priced the existing debt at the same level.

Pricing is now 275bp over Libor with a 1% floor for the add-on and the original loan. The company originally floated pricing of 300bp over Libor, which is where the existing loan was priced.

The *Deutsche Bank*-led deal was issued at par. The add-on circulated with a discount of 99.75 when it went to market.

Proceeds will help finance a stock buyback and pay down its asset-based lending facility.

Atkore lined up the existing term loan in December 2017 at a size of US$500m to refinance debt.

The issuer is rated B1/BB- and the loan is rated B2/BB-.

Resins maker ARCLIN finalised terms on a repricing of its US$478m first-lien term loan due in February 2024 and an upsized US$80m add-on that will pay down a portion of its second-lien term loan.

Proceeds of the add-on loan, doubled from the guided size, will also be used to fund a shareholder distribution.

Pricing is 350bp over Libor with a 1% Libor floor at par, after being guided at 350bp-375bp.

The add-on also priced at 350bp over Libor with a 1% floor, but with a 99.75 discount – in line with expectations.

The *Credit Suisse*-led deal includes six months of soft call protection at 101.

Arclin arranged a US$480m first-lien term loan and a US$125m second-lien term loan in February 2017 to back its leveraged buyout by private equity firm Lone Star.

The first-lien loan priced at 475bp over Libor with a 1% floor while the second-lien loan priced at 875bp over Libor with a 1% floor.

The issuer and facility are rated B2/B.

CONSOLIDATED CONTAINER TWEAKS REPRICING

Plastic packaging maker CONSOLIDATED CONTAINER CO updated pricing for its US$603.5m term loan repricing transaction.

The loan remains guided at 300bp over Libor with a 1% floor, but the company has added a 25bp ratings-based stepdown if corporate ratings are B2/B or better.

The loan, due May 2024, is still offered at par and the deal resets soft call protection at 101 for six months.

Barclays is leading with *Citigroup*, *Credit Suisse*, *Morgan Stanley* and *Macquarie*.

Consolidated Container arranged the loan originally in May 2017 at a size of US$605m to back its acquisition by diversified company Loews Corp. At that time, the loan priced at 350bp over Libor with a 1% floor.

The issuer and the loan are rated B3/B+.

Cloud-based public relations firm CISION was scheduled to close a US$1.34bn-equivalent dollar and euro term loan repricing on Friday, straight after coming out of its latest soft call period.

A US$1.035bn and a €250m term loan were set to reprice from 425bp to 325bp and 350bp over Libor and Euribor, respectively.

The covenant-lite loans were offered at par with a 0% floor while the soft call at 101 is being reset for six months. They both mature in June 2023, having originally priced at 600bp over Libor with a 1% floor in June 2016 for Cision's acquisition of PR Newswire for US$1.1bn.

Deutsche Bank was arranging the deal.

Cision merged last year with acquisition vehicle Capitol Acquisition Corp III in a transaction valued at US$2.4bn. Sponsor GTCR maintained a 57% stake in Cision following the deal.

Power company LIGHTSTONE GENERATION was also expected to wrap a repricing last week. It was asking lenders to reprice its US$1.575bn term loan B and US$100m term loan C.

Credit Suisse was leading the deal, which circulated at 375bp-400bp over Libor with a 1% floor.

The company previously lowered pricing to 475bp over Libor from 550bp over Libor in March 2017.

The deal includes six months of soft call protection at 101.

Lightstone Generation is backed by private equity firms Blackstone and ArcLight Capital Partners.

EUROPE/MIDDLE EAST/ AFRICA

ITIVITI SEEKS US$725m-EQUIV LOAN

Trading technology provider ITIVITI GROUP has launched a US$725m-equivalent loan backing the company's acquisition of ULLINK.

Proceeds from the loan will also be used to repay Itiviti's outstanding debt.

Credit Suisse, *UniCredit*, *UBS* and *DNB* are bookrunners.

The funding is split between a US$50m multi-currency six-year revolver, a US$535m-equivalent euro-denominated seven-year first-lien term loan, and a US$140m eight-year second-lien term loan.

The first lien is guided at 400bp-425bp over Euribor with a 0% floor and a 99.5 OID, while the second lien is guided at 775bp over Libor with a 1% floor. The RCF is guided to pay 350bp over Euribor with a 0% floor at par.

The first lien includes 101 soft call protection for six months, while the second lien has hard call protection at 102, 101, par.

The corporate rating is B3/B, while the issuer rating is B2/B on the first lien and Caa2/CCC+ on the second lien.

EUROPEAN LEVERAGED LOANS
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	NatWest Markets	1	437.82	7.1
=1	UniCredit	1	437.82	7.1
=1	HSBC	1	437.82	7.1
=1	SG	1	437.82	7.1
=1	BNP Paribas	1	437.82	7.1
=1	BBVA	1	437.82	7.1
=1	ING	1	437.82	7.1
=1	MUFG	1	437.82	7.1
=1	Banca IMI	1	437.82	7.1
=1	Citigroup	1	437.82	7.1
	Total	**1**	**6,129.50**	

Excluding project finance. Western Europe only included.

Source: Thomson Reuters SDC code: P10

Shareholders accrue €2bn of dividends from 3i's Action

■ EUROPE Latest €760m payment is part of a wider €2.4bn leveraged loan

Dutch discount retailer **ACTION** is set to pay €760m to shareholders, the fifth dividend to be dished out under private equity firm 3i's ownership.

3i acquired Action in 2011 and since then approximately €2bn has been paid out in dividends to shareholders, around 9.0 times their original investment.

The latest €760m dividend payment is part of a wider €2.4bn leveraged loan financing that comprises a €2.285bn seven-year term loan B and a €125m six-year revolving credit facility.

The €2.285bn TLB will refinance an existing €1.6bn TLB, with the additional debt used for the dividend, alongside cash on balance sheet.

3i acquired Action in 2011 and took its first dividend in 2013 when Action raised a €275m add-on loan to refinance a vendor loan and pay a distribution. Action then paid a €285m dividend to shareholders in 2014 as part of a wider €840m recapitalisation, according to Thomson Reuters LPC.

There were two further dividends paid out in December and February of 2016.

"Action is one of those investments that just keeps on giving. There is still implied equity left so if 3i sell or IPO Action they would still have a return to realise, and if they don't sell then they will just take another dividend," a syndicate head said.

ABN AMRO, *BNP Paribas*, *Deutsche Bank*, *ING*, *Natixis* and *Rabobank* are leading the latest leveraged loan financing and investors have been asked to commit to the deal by February 13.

The €2.285bn TLB is guided to pay 325bp-350bp over Euribor, with a 0% floor at 99.75 OID. The existing TLB pays 350bp over Euribor.

The new TLB is covenant-lite, removing a net leverage covenant in the existing covenant-loose term loan.

Pricing of the new €125m RCF is 325bp over Euribor and it is offered with a springing leverage covenant. The RCF has increased from an existing €75m.

The dividend recapitalisation will re-lever Action to 4.8 times Ebitda, from 3.0 times.

Despite a tricky sector where many retailers have suffered, Action has experienced rapid deleveraging, from 4.5 times at the time of its last recapitalisation in December 2016, driven by continued strong Ebitda growth and cash generation.

Action is Europe's largest and best performing non-food discount retailer with net sales in FY16 of €2.7bn. Almost two-thirds of net sales are now generated outside of The Netherlands.

It operates nearly 1,100 stores across seven countries in Europe, employing over 40,000 people.

Claire Ruckin

› ALTRAN SETS FINAL TERMS

French technology consultancy **ALTRAN** has set final terms on the €2.12bn-equivalent term loan package backing its acquisition of US digital design and engineering services firm Aricent.

The deal comprises €1.88bn and US$300m seven-year term loan Bs, which carry initial margins of 325bp over Euribor and 275bp over Libor, respectively.

Those margins are due to fall following a planned €750m equity issue to 275bp over Euribor and 225bp over Libor, respectively.

The loans have margin ratchets related to net leverage, dropping to 300bp over Euribor and 250bp over Libor for between 3.5 and 4.0 times Ebitda, 275bp and 225bp for below 3.5 times to 3.0 times, and 250bp and 225bp for under three times.

Both loans were offered at 99.75 with a 0% floor and six months of soft call protection at 101.

The euro tranche is also set to decrease to €1.38bn following the equity raising, which was agreed at an extraordinary general meeting on January 26.

The loans are rated BB/Ba2.

A portfolio manager looking at the deal said that while Altran was a good business, the sector it operated in was naturally cyclical.

"During an economic downturn one of the first things companies will cut is outside consultants," he said.

However, another investor noted the company's stable equity growth over the past ten years, saying it was a resilient business. "I think it's decent and the tie-up is a good one."

Credit Agricole CIB, *Goldman Sachs* and *Morgan Stanley* underwrote the loan and will also underwrite the €750m rights issue to refinance part of the committed financing.

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.

› SWISSPORT SECURES €325m

Air cargo handler **SWISSPORT** has lined up a €325m term loan B from *Barclays* for its acquisition of Australian flight support services operator Aerocare.

The loan will be drawn on or shortly before the acquisition's close, scheduled to occur by March 7, and brings leverage at Swissport to between 5.25 and 5.5 times Ebitda as of 2017 year-end.

Swissport has also received a €52m partial repayment of an affiliate loan to parent company HNA, the Chinese conglomerate, which is due to mature on February 6.

HNA is still planning to list Swissport in the second half of this year, helping to significantly reduce leverage at the business.

Swissport employs over 65,000 people and generates operating revenue of €2.7bn.

› BERLYS ALLOCATES BUYOUT LOAN

A €375m leveraged loan financing backing French private equity firm Ardian's acquisition of Spanish bakeries **BERLYS** and **BELLSOLA** has allocated on Europe's secondary loan market.

The covenant-loose loan pays 400bp over Euribor with a 0% floor, in line with original guidance, but allocated at par, tighter than initial 99.5 OID guidance.

BNP Paribas, *Credit Agricole*, *ING* and *Natixis* underwrote the debt financing, which includes a €50m, six-year revolving credit facility.

Ardian announced the acquisitions 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.

Berlys and Bellsola are leading manufacturers of bread and bakery, serving artisan bakeries, bakery coffee chains, retailers, hotels, restaurants and coffee shops throughout Spain.

› TRACTEL REVERSE FLEXES

Safety products manufacturer **TRACTEL** has reverse flexed the €225m term loan B backing its acquisition of Finnish mast climbing products business Scanclimber.

Pricing on the seven-year loan has been revised to 350bp over Euribor with a 0% floor at par, having launched at 375bp with a 99.5 OID and a 0% floor.

A €50m-equivalent dollar tranche is unchanged at 425bp over Libor with a 0% floor and a 99.5 OID.

BNP Paribas, *Credit Agricole* and *HSBC* arranged the deal.

After the completion of the buyout of Scanclimber for an undisclosed sum, the company's Ebitda is expected to be around €50m.

Tractel was acquired by private equity firm Cinven in 2015.

IVC LAUNCHES £100m ADD-ON

UK veterinary care business IVC has launched a £100m term loan add-on, while also planning to increase its £100m acquisition and capex facility.

The term loan add-on will reset the acquisition and capex facility, which is also set to increase in size to £150m.

The term loan is to price in line with the existing facility at 450bp over Libor with a 0% floor.

SEB and *SMBC* are bookrunners.

IVC last tapped the loan in August for £142m.

After the add-on, IVC's total term loan debt will stand at £556m-equivalent, denominated in sterling, euros and Swedish kronor. It also has a £20m revolving credit facility alongside the £150m acquisition facility.

Swedish private equity firm EQT acquired IVC in January 2017 backed with a £250m leveraged loan financing, split between a £180m term loan B, a £60m acquisition and capital expenditure facility and a £10m revolving credit facility.

In May, EQT merged IVC with its Northern European portfolio company Evidensia.

The merger was backed with a £132m-equivalent add-on term loan in April via Bank of Ireland, HSBC, NatWest, SEB and SMBC.

The £132m euro-denominated term loan C allocated at 375bp over Euribor with a 0% floor at par.

EG PRICES JUMBO FACILITY

A jumbo leveraged loan backing acquisitions made by UK petrol station operator EG GROUP and the refinancing of existing debt has priced.

An €835m term loan B1, a €250m TLB2 and a €900m TLB3 all priced at 400bp over Euribor with a 0% floor and a 99.5 OID, having been guided at 400bp-425bp over Euribor.

A £400m TLB priced at 475bp over Libor with a 0% floor and a 99.75 OID after launching at 475bp-500bp over Libor; and a US$500m TLB priced at 400bp over Libor with a 0% floor and a 99.75 OID after being guided at 425bp-450bp over Libor.

All three term loans have a seven-year maturity and include 101 soft-call for six months.

The financing also comprises a £250m 4.75-year multi-currency revolving credit facility paying 300bp over Euribor/Libor and a €385m 4.75-year letter of credit guided to pay 200bp over Euribor.

Bank of America Merrill Lynch, *Barclays* and *Goldman Sachs* led the jumbo financing alongside *Credit Suisse*, *Deutsche Bank*, *ING*, *Lloyds*, *Rabobank*, *RBC* and *UBS*.

Corporate family and TLB ratings are expected to be B2/B/B, with a recovery rating of 3.

The loan will back the acquisition of 1,165 Esso sites in Italy and 1,017 Esso sites in Germany as well as refinance EG Group's outstanding debt facilities that include £620m and €914m of term loans.

TDR acquired a £1.3bn minority stake in EG Group, formerly known as Euro Garages, in January 2016, backed by a £745m financing split between a £370m seven-year TLB and a £250m-equivalent euro-denominated TLB.

ASIA-PACIFIC

PERMIRA READIES I-MED TAKEOVER

Permira Advisers has lined up a five-year leveraged buyout loan of about A$700m (US$568m) from six lenders to take over X-ray services provider I-MED.

Banks sacrifice fees on Flamingo

EUROPE Changes made to attract investors

Banks have given up some fees on a €310m leveraged loan financing backing UK flower and vegetable supplier FLAMINGO's merger with rose producer Afriflora.

Credit Suisse, *Investec* and *Jefferies* led the financing, which comprises a €280m seven-year term loan B and a €30m six-year revolving credit facility.

The deal was altered significantly in a bid to make it more attractive to investors after the loan faced some difficulties during syndication.

Investors are cherry-picking larger or better-perceived credits in the market amid a flurry of new issuance in January.

Banks have had to pay up to offer soft-call protection of 102 for 12 months, from an original level of 101 soft-call for six months.

Soft-call protection gives investors comfort that a borrower cannot refinance or reprice a loan within the protection period, without paying a premium to do so.

However, the banks are not paying for other document changes, or the hefty 96 OID and 575bp over Euribor interest margin, as they are just within the flex terms agreed with the sponsor.

The flex terms were more generous on this financing than conventional deals in Europe's leveraged loan market, to take account of a number of issues - including sector and the fact that Afriflora sources its products from its 500 hectares of farmland in Ethiopia.

The term loan, which now also includes a leverage covenant, was launched as a covenant-lite term loan guided to pay 500bp over Euribor, at 99 OID.

Finding yield in Europe's leveraged loan market has proven tricky amid an overall pricing compression as demand continues to outweigh supply.

"At these yields there will be more investors at play," a syndicate head said.

However, whether the deal will sell in its entirety remains unclear and the banks could be left holding some of the paper, the sources said.

LOCAL SUPPORT?

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 farmland in Ethiopia.

An investor queried whether the business would have been better supported by local banks in light of this.

"It's a nice coupon but farms in Africa are difficult to get comfortable with - you have really no idea on the situation there," he said. "Local banks with local knowledge should really be doing these sorts of deals."

Another investor said he bought into the deal but it was far easier to justify foregoing deals when the market was as busy as it is.

"The key is to focus on companies generating free cash flow," he said. "There's been some deals that haven't been great so far this month - it's been about dodging them."

Moody's assigned Flamingo a B2 corporate rating earlier this month, citing positive free cash flow at the business due to reduced capex requirements following years of notable investment.

The ratings agency forecast Flamingo's adjusted net leverage at 4.5 times for 2017 year-end, also noting around €10m of cash on balance sheet.

Sun previously bought Finlays Fresh produce in 2015, subsequently rebranding it Flamingo.

Flamingo is the second largest supplier of flowers and vegetables in the UK. It is issuing the debt through Zara UK Midco Limited.

Claire Ruckin

Underwriters *Credit Agricole*, *Goldman Sachs*, *HSBC*, *ING Bank*, *Natixis* and *SMBC* plan to launch the facility into syndication shortly. Goldman is the financial adviser.

In addition to the acquisition, the facility is also for working capital and capital expenditure. The leverage multiple is just under 4.5 times Ebitda and the opening margin is in the low 400s over BBSY.

I-Med owner EQT Holdings, a Swedish private-equity firm, had pulled the sale late last year after lower than expected offers. Permira unveiled the sale on January 28, but did not disclose the price, which local media pegged at around A$1.3bn.

I-Med, with over 180 clinics conducting 4m patient procedures a year, is the dominant player in Australia's diagnostic-imaging services, which benefits from government subsidies. For the 2016 financial year, the company posted sales of A$608m and Ebita of A$100m. Revenue is forecast to grow in tandem with Australia's ageing population.

Morgan Stanley and *Rothschild* advised EQT on the sale.

TWO BACK AFFINITY'S TRIMCO BUYOUT

Two banks are providing debt financing for Affinity Equity Partners to buy a majority stake in garment label-maker **TRIMCO INTERNATIONAL HOLDINGS**.

Cathay United Bank and *CTBC Bank* are providing a five-year amortising loan of around US$100m–$150m.

The senior debt represents leverage of around two to three times.

Affinity agreed to acquire the majority stake in Hong Kong-headquartered Trimco for US$520m from Partners Group earlier this month.

Partners Group purchased the stake in Trimco in 2012 from another private-equity firm, Navis Capital Partners. At the time, it had taken a US$55m senior loan from four Taiwanese banks.

CTBC was the sole facility and security agent, mandated lead arranger and bookrunner. Ta Chong Bank, Taipei Fubon Commercial Bank and Taishin International Bank joined in July to share the MLA title.

The five-year amortising term loan, with an average life of about three to 3.5 years, paid a margin of 450bp over Libor.

Trimco was founded in Hong Kong and serves garment manufacturers in China, India and South-East Asia.

RESTRUCTURING

EUROPE/MIDDLE EAST/ AFRICA

AL JABER NEARS RESTRUCTURING

Abu Dhabi-based **AL JABER GROUP** expects to seal a deal to restructure around Dh5.75bn (US$1.6bn) in debt this month, Reuters reported.

Although the conglomerate, which was founded by the Al-Jaber family in 1970, has struggled since a downturn in construction hit the UAE after the global financial crisis, its outlook for 2018 onwards is positive, the company source told Reuters.

Al Jaber's outlook has been boosted by expected wins of new construction projects in both Abu Dhabi and Dubai.

"We have concluded all commercial terms of the new deal and are about to sign with all the banks to receive 100% agreement imminently," the company source said, adding that 97.5% of creditors had agreed so far.

Al Jaber's debt is mostly held by local and international banks, although some hedge funds and other non-bank financial institutions also feature among the creditor group.

Since completing a US$4.5bn debt restructuring in June 2014, Al Jaber, best known as a contractor but with interests in other sectors, has taken steps to sell non-core assets, including its 80% stake in construction joint venture ALEC to Investment Corporation of Dubai last year.

Such sales have helped to cut debt, with the reduction also boosted by increases in revenue.

Under the new plan, the maturity of the debt will be extended by seven years to September 30 2024, with the company also required to continue to reduce it via quarterly repayments and further asset sales.

It also includes a reduction in the interest rate on the debt and the removal of "payment in kind" accrued interest, while quarterly amortisation payments will also be cut from March 2019, the company source said.

Al Jaber's problems started in the mid-2000s when it borrowed to fund its drive to expand outside of its core business of construction.

The weight of the debt and a slowdown in the local market pushed it to begin talks with creditors in 2011. But the 2014 restructuring failed to ease Al Jaber's troubles and in March 2016 it missed a repayment.

Is your company breaking the law?

If you or your colleagues are photocopying articles from IFR, then your company is breaking the law. Copying, scanning, duplicating, reselling or distributing any part of the product is in breach of Thomson Reuters terms and conditions – and against copyright law.

A company-wide subscription to the magazine, or to www.ifre.com, is a cost-effective way of ensuring that every employee in your company can legally access IFR's world-class capital markets content.

To discuss your requirements, please contact your local IFR representative:

EMEA: **+44 (0)20 7542 45 69, cmi.emeasales@tr.com**

Americas: **+1 (646) 223 5543, cmi.americassales@tr.com**

Asia-Pacific and Japan: **+852 291 26606, cmi.asiasales@tr.com**

Australia 86 China 86 India 87 Malaysia 88 South Korea 88 Germany 88 Ireland 89 Israel 89
Sweden 90 UK 91 United States 91 Argentina 95 Structured Equity 96

FRONT STORY US

Hudson loses altitude on debut

Lack of a discount mars travel retailer's US$749m IPO

Travel retailer HUDSON found willing takers for its US$748.9m NYSE IPO but stumbled on debut Thursday in what is proving a difficult market for underwriters to juggle demand and pricing.

Hudson's Swiss parent DUFRY was the seller of all of the 39.4m Class A shares offered in the IPO of its US and Canada unit, cutting its stake to 57%.

A 13-firm underwriting syndicate led by *Credit Suisse*, *Morgan Stanley*, *UBS*, *Bank of America Merrill Lynch* and *Goldman Sachs* priced the shares at US$19.00, the bottom of the US$19-$21.

Though the deal was said to be six times covered going into pricing, Hudson made a sloppy debut, falling 7.4% in its first session to close at US$17.60.

UBS handled stabilization duties, though it appeared on the S-1 behind Credit Suisse and Morgan Stanley.

One banker close to the deal said that while early feedback was good, valuation was always going to be sticking point.

Some accounts complained that Hudson did not come at a valuation discount to Dufry, even though Dufry shares fell more than 5% in the five sessions going into pricing.

Hudson is a familiar name to travelers. It operates 989 travel essentials and convenience stores, book stores, duty-free stores and other outlets in 88 transportation terminals, including 24 of the 25 largest airports in the continental United States and Canada.

Hudson marketed the IPO on consistent organic revenue growth (9.5% a year since 2010) and benefits from the limited price sensitivity of its customers.

"Business people who travel really understand Hudson," another banker close to the deal said. "They know how hard it is to go into a Hudson store at the airport or train station and spend less than $10."

One of Hudson's most attractive attributes is its insulation from e-commerce competition because of the captive nature of its airport passenger base.

Passengers that typically arrive at the airport at least one or two hours before their flight and often buy products they forget to pack or that are not provided in-flight, management said in the company's online roadshow presentation.

At the airport, "buying online is 23 hours too late," Hudson CEO Joseph DiDomizio told investors in the company's online roadshow presentation.

Amazon's success has made life difficult for traditional retailers and limited the number of consumer discretionary IPOs to those that can show they are "Amazon-proof".

"Hudson's high single-digit organic growth is viewed as protected from Amazon, and it is not just the newsstands but also food and beverage and duty free," a third banker said.

Though the IPO represented a sizable 42.5% economic stake, Dufry plans to maintain a controlling ownership. Dufry retains 53.1m, super-voting Class B shares that give it a 93.1% stake in matters of corporate governance.

Anthony Hughes

Vici Properties hits jackpot on IPO

Caesars Palace landlord raises US$1.2bn in upsized IPO

Casino REIT VICI PROPERTIES conquered dicey markets by upsizing its NYSE IPO and pricing the deal at the midpoint of the range for proceeds of US$1.2bn.

This amount was a hefty 20% more than the original target.

Morgan Stanley, *Goldman Sachs*, *Bank of America Merrill Lynch*, *Barclays*, *Citigroup* and *Deutsche Bank* found takers for 60.5m shares at US$20, setting an initial dividend yield at 5.25%. They had marketed 50m shares at US$19-$21.

Vici finished its debut session at US$20.87, 4.5% above offer.

"Investors have been waiting for another publicly-traded casino REIT to go public for some time," one banker involved in the underwriting told IFR. "Vici wanted to go public and start doing deals."

Vici received an unsolicited offer from rival MGM GROWTH PROPERTIES last month to acquire it for US$19.50 a share. MGM's overture was awkwardly timed just days before the IPO's launch, but Vici's board swiftly (and perhaps predictably) rejected the bid.

The MGM offer did provide a valuation floor for Vici's IPO.

Vici, spun out as Caesars Entertainment emerged from bankruptcy in October, owns a portfolio anchored by the iconic Caesars Palace Las Vegas.

The REIT quickly acquired Harrah's Las Vegas in December for US$1.14bn giving it 20 properties operated by Caesars under triple-net-lease agreements.

It funded the purchase with US$963.9m raised via a private placement and debt sale as part of a broader recapitalisation. The company is using some of its IPO proceeds to repay that debt and to fund future acquisitions.

Vici should have ample opportunities to grow its portfolio. It has an option to acquire another three properties from Caesars – Harrah's Atlantic City, Harrah's New Orleans and Harrah's Laughlin - that expires in October 2022.

It also has rights of first refusal over properties that Caesar acquired in its US$1.7bn cash purchase of Centaur Holdings last November.

Vici wants to buy assets from third parties, but as MGM Growth's experience has shown those deals are much tougher to get done because casino operators don't want to risk getting kicked out/around by a landlord affiliated with a competitor.

The key difference between MGM Growth and Vici is that the former is controlled by MGM Resorts International, making it a "captive financing vehicle". Caesars, by contrast, has no shareholding or board representation at Vici.

Robert Sherwood

WEEK IN NUMBERS

One out of three

■ ENERJISA ENERJI WAS THE ONLY ONE OUT OF THE FIRST THREE EUROPEAN IPOS OF THE YEAR TO COMPLETE WITHIN THE ORIGINAL MARKETED TERMS. METROVACESA AND MLP SGLIK HIZMETLER BOTH HAD TO RESTRUCTURE THEIR IPOS AFTER FAILING TO SECURE ENOUGH DEMAND

47%

■ CAPITA SHARES FELL MORE THAN 47% ON WEDNESDAY AFTER THE UK GOVERNMENT CONTRACTOR ISSUED A PROFIT WARNING FOR 2018 JUST WEEKS INTO THE YEAR, SUSPENDED ITS DIVIDEND AND ANNOUNCED A £700m RIGHTS ISSUE

US$9.6bn

■ JANUARY SAW 20 US-LISTED IPOS RAISE US$9.6bn, THE BUSIEST START TO A YEAR ON RECORD, TOPPING THE 17 DEALS OF JANUARY 2014. IT IS THE HIGHEST MONTHLY PROCEEDS SINCE SEPTEMBER 2014, WHEN ALIBABA WENT PUBLIC IN THE BIGGEST EVER IPO

20%

■ CASINO REIT VICI PROPERTIES WAS ABLE TO UPSIZE ITS NYSE IPO BY 20% AND PRICE AT US$20, ABOVE THE US$19.50 PER SHARE OFFER FROM RIVAL MGM GROWTH PROPERTIES THAT WAS REJECTED JUST AHEAD OF LAUNCH

Three years

■ CHINA EVERGRANDE'S AMBITIOUS PLAN FOR A HK$23bn (US$2.9bn) PERPETUAL CONVERTIBLE BOND PAYING AN UP TO 4% COUPON AND WITH A CONVERSION PREMIUM OF 50%-60% WAS COMPLETELY ABANDONED AFTER LAUNCH. THE HK$18bn FIVE-YEAR RESTRUCTURED DEAL PAID MORE, HAD A LOWER PREMIUM AND EVEN INCLUDED A PUT AFTER THREE YEARS

Rmb20bn

■ CNPC SET A 1.4% COUPON ON ITS EXCHANGEABLE BOND INTO PETROCHINA. THE EB IS THE LARGEST EVER IN THE DOMESTIC MARKET AT US$3.2bn-EQUIVALENT AND COMES WITH A HIGHER COUPON THAN LAST YEAR'S DEBUT EB BY CNPC

ASIA-PACIFIC

AUSTRALIA

TRANSURBAN COMPLETES RIGHTS OFFER

Toll-road operator TRANSURBAN has raised A$162m (US$130m) from the sale of 13.6m new shares at A$11.90 each, off a floor price of A$11.40.

The shares that retail investors did not buy as part of their rights entitlement were sold to others through a bookbuilding process.

Macquarie, *Morgan Stanley* and *UBS* worked on the deal.

With the sale, Transurban completed the A$1.9bn 3-for-37 entitlement offer it announced last December.

CHINA

HUAMI SHAPES UP FOR NYSE IPO

HUAMI, a maker of fitness trackers for Chinese smartphone company Xiaomi, has started bookbuilding for a NYSE IPO of up to US$120m.

The company is selling 10m American depositary shares at an indicative price range of US$10–$12.

Pricing is slated for February 7.

Huami was founded in 2014 and is headquartered in Beijing. It manufactures under the Mi brand for Xiaomi and under its own Amazfit brand.

Xiaomi has invested in Huami, as has Shunwei Capital. Shunwei is a venture capital firm founded by Xiaomi chief executive officer Lei Jun.

Xiaomi owns a 19.3% stake in Huami and Shunwei 20.4%, according to the filing.

Credit Suisse, *Citigroup* and *China Renaissance* are joint bookrunners.

PERFECT CHINA MULLS IPO IN HK

Cosmetic company PERFECT CHINA is mulling a Hong Kong listing which could raise about US$1.5bn, according to people familiar with the situation.

The company, which Malaysian entrepreneur Koo Yuen Kim founded and employs a direct sales method, has had initial discussions with potential arrangers over the listing, targeted for as early as this year, said the people.

Perfect China could not be reached for comment.

Perfect China is renowned for the overseas trips it organises for its top sales representatives. Last year, the company held an incentive event for 3,500 delegates in Malaysia.

GDS COMPLETES FOLLOW-ON OFFERING

The primary and secondary follow-on in Nasdaq-listed GDS HOLDINGS has raised US$286m.

The developer and operator of data centres in China sold 8m American depositary shares at US$26 to raise US$208m. Existing shareholders sold a further 3m ADS. Pricing was an 8.9% discount to the pre-deal spot.

The deal was upsized from 9.5m shares.

The book was multiple times covered with about 100 investors participating. The deal drew diverse demand from long-only investors, existing shareholders, as well as technology specialists.

RBC, *JP Morgan* and *Citigroup* were the joint bookrunners.

PING AN FILES TO LIST SPIN-OFF

PING AN INSURANCE (GROUP) has applied to spin off and list PING AN HEALTHCARE AND TECHNOLOGY on Hong Kong's main board, according to an exchange filing.

Ping An Healthcare, formerly known as Ping An Good Doctor, is the largest online

ASIA-PACIFIC EQUITIES
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Goldman Sachs	5	2,254.17	14.9
2	UBS	7	1,730.40	11.4
3	Morgan Stanley	9	1,337.12	8.8
4	Huatai Securities	4	1,214.75	8.0
5	Citigroup	5	1,027.21	6.8
6	Citic	2	850.16	5.6
7	China Merchants Secs	5	645.42	4.3
8	Sumitomo Mitsui Finl	6	496.27	3.3
9	Guotai Junan Securities	3	300.19	2.0
10	Haitong Securities	3	272.86	1.8
	Total	**162**	**15,132.32**	

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	Goldman Sachs	5	2,254.17	15.9
2	UBS	6	1,550.87	10.9
3	Morgan Stanley	8	1,287.83	9.1
4	Huatai Securities	4	1,214.75	8.5
5	Citigroup	5	1,027.21	7.2
6	Citic	2	850.16	6.0
7	China Merchants Secs	5	645.42	4.5
8	Guotai Junan Securities	3	300.19	2.1
9	Haitong Securities	3	272.86	1.9
10	Guoyuan Securities	1	235.12	1.7
	Total	**155**	**14,207.86**	

Including all domestic and international deals and rights issues

Source: Thomson Reuters SDC code: C4a2

healthcare and medical destination in China in terms of user numbers.

The company intended to raise about US$1bn from a Hong Kong IPO as early as the first half of this year, people close to the deal told IFR earlier. *Citigroup* and *JP Morgan* are working on the float.

Following the transaction, Ping An Insurance will remain the controlling shareholder of Ping An Healthcare.

RED STAR BLOCK BRINGS IN HK$1.27bn

Private equity firm Warburg Pincus raised HK$1.27bn (US$162m) from a sell-down of 118m shares in Chinese furniture and building materials retailer RED STAR MACALLINE.

The block, representing 11% of Red Star's H-share capital, was sold at HK$10.75 per share, the lower half of the indicative price range of HK$10.70–$10.86 or a discount of 6% to the pre-deal spot.

The book was around 30 times oversubscribed, with a good mix of long-only investors and hedge funds.

There is a 90-day lock-up period.

CICC was the sole placing agent.

SHANGRI-LA BLOCK RAISES HK$1.05bn

An undisclosed institutional vendor has raised HK$1.05bn (US$134m) through a block trade in Hong Kong-listed SHANGRI-LA ASIA.

The block of 57m shares, representing 1.6% of existing capital, was sold at the bottom of the indicative price range of HK$18.50–$18.80. Pricing was a discount of 7.0% to the pre-deal spot.

The book was multiple times covered. The top 10 investors got about two-thirds of the allocation.

There is a 60-day lock-up on the vendor.

Morgan Stanley was the sole bookrunner.

JIANGSU LEASING PRE-MARKETS IPO

JIANGSU FINANCIAL LEASING has started pre-marketing a Shanghai IPO of up to Rmb4bn (US$632m) with *Huatai United Securities* as sponsor.

The company will become only the second listed financial-leasing company in the A-share market and the first to complete an IPO, opening a potential new source of funding for the fast-growing, capital-intensive sector.

Bohai Capital, a unit of Chinese conglomerate HNA Group, went public in Shenzhen through a backdoor listing in 2011.

Jiangsu Leasing plans to sell up to 640m shares, or about 21.4% of its enlarged company capital.

It will set the price on February 5 and start bookbuilding two days later.

Proceeds will be used for working capital.

APPROVAL FOR RIGHTS ISSUE

GUANGHUI ENERGY has received written approval from the China Securities Regulatory Commission for a proposed rights issue of up to Rmb4bn (US$635m).

The natural gas and coal company plans to issue not more than 1.57bn shares on a 3-for-10 basis at a price of Rmb2.55, a discount of 46.3% to the February 1 close of Rmb4.75.

Proceeds will be used for a liquefied natural gas project and debt repayment.

China Securities is the sponsor.

SHAANXI INTERNATIONAL TRUST will seek CSRC approval on Monday for a proposed rights issue of up to Rmb3bn. The trust company plans to offer up to 927m right shares on a 3-for-10 basis. Largest shareholder Shaanxi Coal and Chemical Industry Group, which owns 34.58% of SIT, will take up its entitlement in full.

China Securities is the sole bookrunner. Proceeds will be used for working capital.

TIMES SELL-OFF BRINGS HK$833m

Schiavona Investment has raised HK$833m (US$107m) from the sell-off of its stake in TIMES PROPERTY HOLDINGS.

The clean-up trade, involving 90m shares, was marketed at an indicative price range of HK$9.25–$9.65.

The shares were sold at the bottom of the range, representing a discount of 9.7% to the pre-deal spot.

The book was multiple times covered with a mix of long-only investors and hedge funds.

UBS was the sole bookrunner.

INDIA

PLAN FOR MEGA INSURANCE IPO

The Indian government sees a possible mega IPO of a state-owned insurance giant after announcing plans to merge three general insurers under its control.

The plan is to merge ORIENTAL INSURANCE, NATIONAL INSURANCE and UNITED INDIA INSURANCE into one before seeking a listing.

Last year, state-owned GENERAL INSURANCE CORP OF INDIA raised Rs114bn (US$1.74bn) through its IPO and THE NEW INDIA ASSURANCE raised Rs96bn from its float. Both trade well below their respective IPO prices.

"After the performances of the NIA and GIC, it will be hard to sell yet another state-owned insurer," said an ECM banker. "A larger company with better economies of scale has a better chance."

The government made the merger and listing announcement at its annual budget today, but did not indicate the timeframe for the IPO.

The Indian government has set a privatisation target for the fiscal year 2018–2019 at Rs800bn versus the revised Rs1trn target for 2017–2018. The original privatisation target for 2017–2018 was Rs725bn.

So far, it has sold shares to raise Rs925bn and has until March 31 to reach the increased target.

The government is targeting record privatisation proceeds for 2017–2018 through capital market share sales and strategic sales. One such strategic sale was that of its 51.11% stake in Hindustan Petroleum to ONGC for Rs369bn.

Typically, the Indian government has fallen short of its privatisation targets.

BANK OF BARODA HIRES FOR QIP

State-owned BANK OF BARODA has hired *Axis*, *BoB Capital Markets*, *Citigroup*, *Credit Suisse*, *JM Financial* and *Kotak* to manage a qualified institutional placement of shares to raise Rs30bn–Rs50bn (US$472m–$787m), according to people familiar with the plan.

The QIP is likely to happen before the end of March.

BoB and its state-owned peers, under pressure from rising bad-loan provisions, are selling shares to shore up capital.

Bank of Maharashtra, Punjab National Bank, Syndicate Bank and Union Bank of India sold shares to raise a combined Rs84bn last year, while Andhra Bank, Canara Bank, Corporation Bank and Indian Bank have also unveiled plans to sell equity for a total of Rs110bn.

TRIO SELLS 5m QUESS SHARES

Three shareholders have sold 5m QUESS shares to raise Rs4.75bn (US$75m) at Rs950 each, below an indicative range of Rs1,000–Rs1,025, according to people with knowledge of the disposal.

The final price represents a discount of 8.9% to the pre-deal close of Rs1,042.90 on the National Stock Exchange.

The 5m shares represent 3.45% of the company's capital.

There is a 30-day lock-up on sellers Manipal Integrated Services, Ramdas Madhava Pai and Vasanthi Ramdas Pai.

Deutsche Bank was sole bookrunner.

JM FIN PLACEMENT RAISES Rs6.5bn

JM FINANCIAL has raised Rs6.5bn (US$102m) through a qualified institutional placement of shares priced at Rs162 each, according to a person with knowledge of the deal.

The indicative price was at a 0.03% discount to the pre-deal close of Rs162.05.

Around 40.1m shares, or 5.03% of the current company capital, were sold in the QIP, which saw 25 investors participate.

Credit Suisse and *IDFC Bank* were the bookrunners.

The funds will be used to support the company's capital needs.

There is a 60-day lock-up on the issuer and the controlling shareholders.

FLEMINGO TARGETS JUNE IPO

Retailer **FLEMINGO DUTY FREE** aims to launch a Rs20bn–Rs25bn (US$314m–$393m) domestic IPO in June, people with knowledge of the transaction have said.

The company plans to file the prospectus with the Securities and Exchange Board of India next month.

Flemingo runs duty free shops at airports in India, Sri Lanka and Africa.

Samena Capital Group, Cartesian Group, Samara Capital, Albright Capital Management and CDIB Capital International are among the investors in the company, founded in 1997.

Axis, *Credit Suisse*, *HSBC*, *ICICI Securities* and *Yes Securities* are leads on the IPO.

LODHA TO FILE FOR IPO THIS MONTH

LODHA DEVELOPERS plans to file the draft prospectus for a US$700m–$1bn IPO later this month and is targeting a launch in the second quarter, people with knowledge of the transaction have said.

Citic CLSA, *JM Financial*, *Kotak* and *Morgan Stanley* are the bookrunners.

The Indian property company planned an IPO of Rs28bn (US$437m) in 2010, but did not launch because of weak market conditions.

Citigroup, Enam, CLSA, Credit Suisse, JP Morgan, Kotak, Nomura, SBI Capital and Global TrustCapital were the bookrunners then.

According to the company's website, it is currently developing an estimated 43m sq ft of real estate and has 28 ongoing projects across London, Mumbai, Pune, Hyderabad and Bangalore.

MALAYSIA

SETIA PLACEMENT BRINGS M$1.01bn

Real-estate company **SP SETIA** has raised M$1.01bn (US$259m) from the sale of 325m shares at the top of a M$3.07–$3.11 price range, according to a person with knowledge of the transaction.

The final price implied a 4.3% discount to the pre-deal close of M$3.25.

The sale comprised a base size of 260m shares with an option for 65m increase, which was fully exercised. The total number represents 8.7% of Setia's enlarged share capital.

BNP Paribas and *Maybank* were the bookrunners.

SOUTH KOREA

SK LUBRICANTS PLANS 2018 IPO

SK LUBRICANTS, a unit of SK Innovation, plans to list in South Korea as early as 2018, according to people familiar with the situation.

The lubricant oil subsidiary revealed the plan on January 31 without mentioning the timing and size of the IPO.

It is SK Lubricants' third attempt for a listing, after the 2013 and 2015 bids for IPOs of up to US$1.5bn failed to materialise.

The company is expected to raise about US$1bn this time.

Samsung Securities, *Korea Investment & Securities*, *Citigroup*, *Credit Suisse* and *Mirae Daewoo*, mandated for the previous IPOs, are expected to continue to work on the new float, according to the people.

TAIWAN

HON HAI GETS SPIN-OFF APPROVAL

Taiwan-listed electronics contract manufacturer **HON HAI PRECISION INDUSTRY** has obtained shareholder approval to list subsidiary Foxconn Industrial Internet on the Shanghai Stock Exchange.

FII will offer about 10% of its total issued share capital, according to a statement.

The pricing and timetable for FII's IPO have yet to be decided.

Proceeds will be used for investments in cloud computing and the production of internet equipment, research and development of 5G industrial internet systems and computing data centres, among other things.

The plan still needs regulatory approval.

EUROPE/MIDDLE EAST/AFRICA

GERMANY

BOOKS COVERED FOR DERMAPHARM

Books are covered throughout the price range and on the full deal size for the Frankfurt IPO of **DERMAPHARM**, including greenshoe.

The covered message came on Monday after one day of bookbuilding, with additional details relating to the price range issued on day two.

On offer are 11.7m bearer shares at €26–€30 per share, of which up to 3.84m will be newly issued and 7.86m provided by the company's only shareholder, Wilhelm Beier and family.

The selling shareholder is also providing up to 1.755m shares for a greenshoe.

Bookbuilding is expected to run until February 8, with a trading debut the following day.

The price range values the manufacturer of patent-free pharmaceuticals at €1.4bn-€1.615bn.

Berenberg is sole bookrunner, with *ODDO BHF* as co-lead.

ALSTRIA PICKS UP €193m FOR PROPERTY BUYS

A €193m selldown in office real estate business **ALSTRIA** was substantially oversubscribed on indications of interest before launch on Monday night after around a dozen accounts were wall-crossed, largely European existing shareholders.

Books opened after the close with reference to the market close of €12.86 and were covered within 25 minutes. Guidance of €12.50-€12.60 covered throughout followed an hour later and books closed at 6:45pm in London with pricing at €12.60, a 2% discount.

The top 20 accounts took around 75% of the trade.

Proceeds will be used to finance further growth, including €87.4m for the acquisition of two properties in Hamburg and Stuttgart, with the balance to be used for further acquisitions or repayment of debt, including potential cash settlement of a convertible bond.

The stock opened at €12.65 on Tuesday and stayed largely above pricing, closing the day flat to the open.

EMEA EQUITIES
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Goldman Sachs	7	1,852.94	18.6
2	Credit Suisse	4	1,355.79	13.6
3	UBS	4	1,133.17	11.4
4	Morgan Stanley	3	456.01	4.6
5	BAML	4	442.06	4.4
6	Standard Bank Group	2	347.46	3.5
7	Deutsche Bank	3	304.40	3.1
8	Chapel Hill Advisory Pt	2	270.00	2.7
9	Citigroup	3	266.45	2.7
10	JP Morgan	3	262.33	2.6
	Total	**60**	**9,960.97**	

Including all domestic and international deals and rights issues

Source: Thomson Reuters SDC code: C4cr

Morgan Stanley and *UBS* were joint bookrunners, with *Kempen* as co-lead manager.

FIRST POST-IPO SELLDOWN IN JOST

A group of sellers comprising Avedon Partners, Bain Capital Credit, Black Diamond and Cinven have picked up €142.33m from the sale of a 24.5% stake in trucks and trailer parts maker JOST.

The trade launched on Tuesday evening with guidance of €38-€40 for an offering of 3m shares, later upsized to 3.65m shares, representing well over 200 days' trading.

Pricing came at €39, a 3.1% discount to the €40.25 close.

The sale is the first since last July's €201.15m IPO of Jost. Priced at €27 in the IPO, the shares closed Wednesday at €40.65.

Commerzbank, *Deutsche Bank* and *JP Morgan* were joint bookrunners.

SCHALTBAU CAPITAL INCREASE TO PAY DOWN DEBT

Electrical and mechanical engineering firm SCHALTBAU HOLDING is raising €49.33m to repay existing liabilities.

The Munich-based business is offering 2.24m new shares on a 1-for-3 basis at €22, a 16.9% discount to TERP of €26.48, according to IFR estimates.

There are declarations of intent to subscribe in the rights issue and backstop commitments for at least 1.44m shares and up to 1.67m shares, corresponding to proceeds of at least €28.9m.

The shares are fully entitled to dividends for the year starting January 1 2017.

Subscription runs from February 1-14. There is no rights trading.

Commerzbank is sole global coordinator and has underwritten the capital increase.

EBRD BACKS PROCREDIT GROWTH FUNDRAISING

Commercial banking group PROCREDIT HOLDING raised €61m last Thursday night in an accelerated capital increase that was significantly upsized and backed by the European Bank for Reconstruction and Development.

There was no need to wall-cross in advance as ProCredit had signalled a potential 10% increase in mid-January. At launch, ProCredit offered 3% of share capital, backed by an intention by the EBRD to put in an order for up to 40% of the sale, or up to €25m.

The deal was covered quickly and the decision was taken to upsize to the full 10% offering previously authorised by shareholders, comprising 5.53m shares. Pricing came at €11.40, a 4.2% discount to the €11.90 close.

The EBRD honoured its 40% commitment, with the rest of allocations skewed to both new and existing long-only shareholders.

ProCredit said proceeds would fund its growth strategy. The stock responded well on Friday, opening up 0.84% at €12.00 and hanging around that level all morning.

Berenberg was sole global coordinator and joint bookrunner with *equinet*. *Econnext* advised.

INSTONE TARGETS UP TO €943m VALUATION

Homebuilder INSTONE REAL ESTATE shrugged off concerns elsewhere in EMEA IPOs and put out guidance for a €437.5m-€519m Frankfurt IPO on Friday morning. The float had been expected to total more than €400m at launch.

Instone is targeting primary proceeds of around €150m, with approximately €55m to fully repay an existing shareholder loan and the balance for the acquisition and development of new residential projects, as well as for other corporate expenses.

There are 20.35m shares on offer, with the bulk coming from seller Activum, which is subject to a six-month lock-up post admission. The market capitalisation is €795m-€943m and the free-float is 55%, rising to 63.3% on full exercise of a 15% secondary greenshoe.

Roadshows run from February 2 through to February 13, with pricing and allocations on February 14.

Credit Suisse and *Deutsche Bank* are joint global coordinators and joint bookrunners with *BNP Paribas*, *Morgan Stanley* and *UniCredit*.

IRELAND

TOTAL PRODUCE ISSUES SHARES TO PAY FOR RIVAL

Fruit and vegetable supplier TOTAL PRODUCE raised €144.9m on Thursday from a placing of new shares as part of a financing package related to the company's US$300m acquisition of 45% of US rival Dole Food.

The amount raised exceeded an initial target set at launch of US$150m.

The placing was launched before the opening, and at around 11.30am, investors were told that pricing was set at €2.30 per share, which represents a 2.13% discount to Wednesday's Dublin closing price of €2.35. The shares are also traded on the London Stock Exchange.

In total, 63m new shares will be issued, which corresponds to around 19.6% of the existing share capital.

The price paid for 45% of Dole represents a multiple of nine times Ebitda, based on the company's Ebitda for the year ending in October 2017 of US$237m. The pricing implies an enterprise value of approximately US$2bn.

Davy and *Goldman Sachs* were joint bookrunners. *Rabobank* was co-lead manager

ISRAEL

SOL-GEL PRICES NASDAQ FLOAT AT MID-POINT

BMO Capital Markets and *Jefferies* priced an upsized US$75m Nasdaq IPO last Wednesday for Israeli acne/rosacea specialist SOL-GEL TECHNOLOGIES. The banks, including co-managers *JMP Securities* and *Raymond James*, priced 6.25m shares at US$12 each, the midpoint of the US$11-$13 range and up from 5m shares at launch.

The offering gives Sol-Gel a market capitalisation of US$260m versus the US$17m sum its controlling shareholder Moshe Arkin paid to acquire the company four years ago. Sol-Gel is working with Irish generics giant Perrigo to develop generic, topical foam versions of approved dermatology drugs.

Proceeds will be used to fund an ongoing phase III study of a generic version of an FDA-approved treatment for rosacea called Soolantra that is marketed in the US by Galderma Laboratories.

EMEA COMMON STOCK ISSUER LEGAL ADVISERS
1/1/2018 TO DATE

	Legal adviser	No of issues	Total US$(m)	Share (%)
1	Linklaters	1	586.3	6.9
=1	Werksmans Attorneys	1	586.3	6.9
3	Goodwin Procter	2	200.8	2.4
4	Vischer	1	130.8	1.5
5	Latham & Watkins	1	75.0	0.9
=5	Gross Kleinhendler Hodak Halevy Greenberg & Co	1	75.0	0.9
7	K&L Gates	1	70.0	0.8
8	Cooley	1	69.0	0.8
9	CMS	1	1.0	0.0
	Total	55	8,515.3	

Source: Thomson Reuters SDC code: AX3

EMEA COMMON STOCK MANAGER LEGAL ADVISERS
1/1/2018 TO DATE

	Legal adviser	No of issues	Total US$(m)	Share (%)
1	Allen & Overy	1	586.3	6.9
2	Covington & Burling	2	144.0	1.7
3	Homburger	1	130.8	1.5
=3	Ropes & Gray	1	130.8	1.5
5	Gornitzky & Co	1	75.0	0.9
6	Cahill Gordon & Reindel	1	70.0	0.8
	Total	55	8,515.3	

Source: Thomson Reuters SDC code: AX4

Trading began with an open of US$15.33, up more than 27%. The stock rose in early trading but came off and closed at US$13.64, up 13.66%.

NORWAY

SALMONES CAMANCHACA LEAPS ON DEBUT

Shares in fisheries and aquaculture business SALMONES CAMANCHACA were listed in Norway on Friday after a placing of new and existing shares that values the company at NKr2.77bn (US$358m).

The IPO comprised 19.8m shares at NKr42 per share, of which 9.18m are newly issued shares and 10.62m are existing shares provided by the company's Chilean parent, COMPANIA PESQUERA CAMANCHACA.

The free-float on admittance is 30%, with all the remaining shares held by the selling shareholder. The company said demand exceeded the offer more than eight times.

Price guidance was NKr38.5–NKr48 per share, and the deal size is NKr831.6 (US$107.44m). Guidance was narrowed to NKr40–NKr45 on Wednesday.

The shares opened on Friday at NKr42.755, and climbed steadily over the course of the day to close at NKr44.5, which represented a first-day gain of almost 6%.

DNB Markets was sole global coordinator, with *Nordea* and *Pareto* as joint bookrunners. *Larrain Vial* was placing agent for the Chilean bookbuilding.

RUSSIA

RUSSIAN SPAC KISMET CONTINUES TO BUILD

Russia-focused SPAC KISMET is taking time to come together. A vehicle for former MegaFon CEO Ivan Tavrin is targeting US$200m for a company preferably in, but not limited to, the telecoms, technology, internet or customer services space operating in or with exposure to Russia.

The IPO launched on January 9 and was expected at that time to close around the end of January, having kicked off with indications of interest for around two-thirds of the target haul. Converting those into orders and making up the balance is still ongoing and the deal is not likely to close this week.

Bankers involved were relatively sanguine at the end of last week, understandably given timing was flexible, and it is notable that Kismet has taken a different approach on timing than the handful of SPACs that completed last year.

Landscape Acquisitions, fronted by Noam Gottesman and Mike Fascitelli, raised US$500m last November and was trading within a week of launch, while Martin Franklin's US$1.25bn J2 involved closer to a typical IPO bookbuild period of two weeks. Franklin was also involved with Ocelot Partners, which raised US$425m in March last year after a week of bookbuilding.

A longer schedule seemed sensible from the start given the focus on Russia and comparatively lower profile of Tavrin.

Morgan Stanley is lead-left and joint global coordinator with *Sberbank* on Kismet.

SWEDEN

HEAVY CONCENTRATION ON SSAB SELLDOWN

There was a heavily concentrated book for Wednesday night's SKr1.48bn (US$188m) selldown in steelmaker SSAB. On allocations, the top 10 accounts took more than 60% of the book, with the top 20 orders accounting for close to 85% of the trade.

State-owned Solidium was the seller, offering up 37m B-shares, representing 3.6% of existing share capital and approximately 10 days' trading. The trade followed a wall-cross, with allocations skewed to both those wall-crossed and long-only investors.

Coverage took just 20 minutes and pricing came at SKr40, a 2.4% discount to the SKr40.98 close. A multiple times covered book comprised 60 lines.

Solidium is left with 26.4m A-shares and 112.7m B-shares, in total 13.5% of outstanding shares, subject to a 90-day lock-up.

SSAB shares opened at SKr40.60 on Thursday and dropped just below pricing in the early afternoon, closing the day down 2.95% at SKr39.77.

Deutsche Bank and *SEB* were joint bookrunners.

IBT COMPLETES RIGHTS ISSUE

INFANT BACTERIAL THERAPEUTICS reported 99.3% take-up for its SKr440m (US$55.5m) rights issue.

There were acceptances for 4.59m of the 4.62m shares offered on a 7-for-10 basis at SKr95.

All the 155,538 class A shares were subscribed for, with 4.435m of the 4.46m class B shares. The balance was dealt with through oversubscription.

The shares were trading around SKr115.50 on Friday afternoon.

SEB, *Zonda* and *Rothschild* advised.

TURKEY

ENERJISA TIGHTENS RANGE IN FINAL HOURS

Bookrunners on the Istanbul IPO of electricity distribution business ENERJISA ENERJI signalled once again that the deal is on track to complete successfully on Friday.

Following messaging on Wednesday that books were covered on the full deal size including greenshoe, guidance was tightened on Friday with reassurance that the deal is oversubscribed.

The range was tightened to TL6.25-TL6.50, around the bottom of the initial TL6.25-TL7.50 guidance, with books covered within that revised range. Management was in London on Friday ahead of books closing in the early afternoon. A domestic bookbuild run by *AK Investment* began on Thursday and wrapped up end of day on Friday.

The new guidance suggests a deal size of TL1.32bn-TL1.38bn (US$352m-$368m). Pricing and allocations are due on Monday, February 5, with trading on February 8.

Citigroup is 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.

FAST FOODS GROUP TFI TARGETS US$242m

TFI TAB FOOD INVESTMENTS, which operates Burger King and other fast food restaurants in Turkey and China, has opened books for a Nasdaq IPO of up to US$242m.

The company is offering 4.5m American depository shares to raise up to US$49.5m based on the US$9-$11 price range. The decision to list in the US is an expensive one so the company expects to receive net proceeds of only US$23.7m at the mid-point of guidance. Proceeds will be used to reduce a loan.

Existing shareholders provide the bulk of the selling with 17.5m ADS to raise US$157.5m-$192.5m, plus a 3.3m secondary greenshoe.

Yurdanur Kurdoglu, the founder's spouse; ATA Holding; ELQ Investors VIII; European Bank for Reconstruction and Development; and Clouse are selling shareholders. The founding Kurdoglu family will remain heavily invested with an aggregate holding of just under 66%.

Pricing is slated for February 6.

TFI TAB operates 1,822 outlets, of which 1,035 are in Turkey. Burger King accounts for more than three-quarters of the company's outlets with its other main brands being Popeyes, Usta Donerci, Sbarro and Arby's, where Usta Donerci is the only non-US import. Just over three-quarters of

sites are company operated with 24% by sub-franchisees.

The company has expanded rapidly with a CAGR in stores of 26% since 2006 and in China a CAGR of 59% since 2012. TFI TAB is looking to open 350-400 restaurants in its home market in the next five years compared with 1,000-1,250 in China in the same period. The company points out in its SEC filing that it has managed to achieve same-store sales growth (12.5% in 2014-16) at the same time as rapidly expanding its footprint.

Morgan Stanley, *Credit Suisse* and *Goldman Sachs* are active bookrunners.

UK

AILING CAPITA TURNS TO CITI AND GOLDMAN

Shares in **CAPITA** plummeted more than 47% on Wednesday after the UK government contractor issued a profit warning and said that *Citigroup* and *Goldman Sachs* had provided a £700m standby underwrite for an upcoming rights issue.

Following the Carillion debacle, Capita's new chief executive Jonathan Lewis said that Capita needed a complete overhaul and the company lowered its 2018 profit forecast by 30%.

Alongside the rights issue, Capita will also carry out a non-core disposal programme over the next two years and cut the dividend until the company generates sustainable free cashflow.

Capita will target a leverage ratio of one to two times net debt to Ebitda.

Capita shares opened at 250p on Wednesday morning, having closed on Tuesday at 347.8p, and the stock fell further during the day to close down 47.527% at 182.50p.

The shares continued to fall, dropping to 158.60p by Thursday's close, but appeared to find a level at the point, trading early on Friday afternoon above 159p.

ENTERTAINMENT ONE FUNDS MGC ACQUISITION

Books opened on last Monday night's £53.3m primary placing in media group and owner of the Peppa Pig brand **ENTERTAINMENT ONE** with full coverage from a wall-crossing.

A banker involved said interest from North America dictated a post-close launch rather than an intra-day placing launched first thing, and that interest was reflected in those attending what was said to be a larger than usual wall-crossing process.

As is typical with primary placings, guidance at launch was simply reference to the market close of 312.2p. The offering of 17.475m shares represented 4% of existing share capital and approximately 21 days' trading. An official covered message followed after 20 minutes.

The only guidance was pricing of 305p shortly before books closed at 7:15pm in London. Pricing was a 2.3% discount.

The top 10 accounts took more than 60% of the trade, but care was taken to ensure everyone got an allocation, with the book skewed towards UK and US accounts.

Proceeds will partly finance the purchase of the 49% Entertainment One does not already own in The Mark Gordon Company, with the remainder of the consideration to be financed with debt.

JP Morgan, *Investec* and *RBC* were joint bookrunners.

The stock opened at 308.2p on Tuesday, but shifted up and closed at 317p, up 1.537% on the day.

THE PRS REIT FUNDS FOR SITE ACQUISITIONS

THE PRS REIT, which invests in new-build homes in the private rented sector, is carrying out a £256.25m placing with proceeds to be used to acquire development sites and newly completed sites.

The REIT said in early January that it had identified development opportunities with a gross development cost of more than £540m.

The placing comprises 250m shares priced at 102.5p, a 1% discount to the 105p close on January 30 net of the maiden dividend of 1.5p declared on Wednesday, and a 4.4% premium to the unaudited NAV per ordinary share of 98.2p as at December 31. The dividend does not apply to the new shares.

Books are due to close by 1pm on March 1.

Steve Smith, chairman of The PRS REIT, said in a statement that the £250m raised in May's IPO has been fully deployed. As part of the IPO, the company established a 250m share placing programme, to be completed within 12 months of admission.

The placing is not underwritten. *Nplus1 Singer* and *Stifel* are joint bookrunners, replicating the syndicate for the IPO.

AMERICAS

UNITED STATES

BIG IPO WEEK RUNS INTO CHOPPY MARKET

After a record January for US IPO proceeds, the new issue renaissance faces its sternest test in the coming week.

At least nine companies seeking a total of nearly US$2bn are hoping to price US IPOs.

Unfortunately they have timed their run with a sudden bout of market bearishness and increased volatility, in part spurred by rising bond yields.

Heading into Friday's close, the S&P 500 was on track to record its worst week since early February 2016 around the same time the market last spiraled into correction territory.

The biggest IPOs on the calendar are Russian-backed steel pipe maker IPSCO Tubulars (up to US$535m) and oilfield services company Cactus (up to US$407.1m).

US ECM bankers appear to have come into 2018 fully cognisant that the bullish conditions that prevailed through last year might prove fleeting.

Companies have already raised more than US$10bn through US stock listings, making it the busiest start to the year on record by proceeds as issuers rushed to access capital while markets remain open for business.

Though there have been some high-profile disappointments, most notably ADT, only four out of 18 IPOs that have priced this year are trading below offer.

The looming "staleness" deadline on February 14, after which companies can no long rely on third-quarter earnings to market IPOs, could slow the pace of launches.

Earnings distractions and market conditions could continue to crimp secondary issuance, though there are several sponsor selldown or M&A financing-related deals that could launch near-term.

That said, a little more than half of S&P 500 companies have now reported their fourth-quarter numbers, clearing the way for some companies to come back to investors.

IPSCO LOOKS TO RIDE OUT SANCTIONS CONTROVERSY

Undaunted by the lingering threat of US sanctions on his homeland and its powerful oligarchs, Russian billionaire Dmitry Pumpyanskiy is pushing ahead with a NYSE IPO of his US-based steel pipe and tube-making company **IPSCO TUBULARS**.

IPSCO early Monday launched the sale of 7.44m primary shares and 15.81m secondary shares at US$20-$23 each, raising up to US$535m.

Bank of America Merrill Lynch and *Morgan Stanley* are leading an eight-firm underwriting syndicate that expects to price the deal this Thursday, February 8.

The launch came amid reports the Trump Administration was poised to impose new sanctions on Russian government officials

and leading businessmen considered close to President Vladimir Putin.

But as later revealed, the US government did not impose fresh sanctions as expected, though the US Treasury Department released a report that named Pumpyanskiy among a list of 96 Russian billionaires and continues to threaten to do so.

With Pumpyanskiy's London-listed TMK expected to maintain control of IPSCO post-IPO (TMK will hold a stake of about 60% even after selling shares in the deal), he may still have a tough task in winning over investors.

"The early feedback we are getting is that investors need to get comfortable with being a minority shareholder of a company with a Russian parent," one banker close to the deal said.

IPSCO has 11 factories in the US and Canada with 1.5m tonnes of annual steel pipe production capacity situated close to key energy customers. It touts its strong market position, technology leadership, cost competitiveness and leverage to the US fracking revolution. Adjusted Ebitda margins are estimated at 12.2%-13.9% in the quarter just ended.

The terms give the company a market capitalisation of about US$1.4bn versus 2017 adjusted Ebitda of US$120m-$128.2m (reversing a US$78.6m adjusted Ebitda loss in 2016).

IPSCO increased revenues 125% to US$730.4m in the nine months ended September 2017, due to increased sales and prices for its OCTG (oil country tubular goods) and line pipe, in turn driven by E&Ps increasing their drilling capex as oil prices have recovered.

The roadshow also highlights the company's dramatic swing from adjusted Ebitda losses to gains in recent years, and the balance sheet improvement that resulted from TMK (which bought IPSCO in 2008) injecting US$300m into the company last March.

Comps include US Steel, Italy's Tenaris and France's Vallourec, though IPSCO argues it is much more focused by geography (US and Canada) and industry exposure (energy) than these rivals.

US EQUITIES
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Morgan Stanley	15	3,231.38	15.4
2	Barclays	12	2,154.00	10.3
3	Goldman Sachs	15	2,025.25	9.7
4	JP Morgan	17	1,992.47	9.5
5	BAML	15	1,947.45	9.3
6	RBC	8	1,585.46	7.6
7	Citigroup	11	1,411.70	6.7
8	Credit Suisse	7	1,054.23	5.0
9	Deutsche Bank	5	719.65	3.4
10	Cowen & Co	10	573.54	2.7
	Total	**77**	**20,938.06**	

Including all domestic and international deals and rights issues

Source: Thomson Reuters SDC code: C3r

CARDLYTICS TOUTS PURCHASING POWER

January saw plenty of IPO pricings, but conspicuously missing from the deal mix has been a US-domiciled tech company.

That could be about to change with last Monday's launch of the up to US$81m IPO of "purchase intelligence" platform **CARDLYTICS**.

Cardlytics is seeking up to US$81m by selling 5.4m primary shares at US$13-$15 each for pricing next Thursday, February 8.

Bank of America Merrill Lynch and *JP Morgan* head the underwriting syndicate.

The company, formed by former Capital One Financial executives, has a technology platform that uses consumer data purchased from financial institutions to help marketers sell their products.

The S-1 outlines some regulatory risks, but the company already purchases data from more than 2,000 banks, managed to generate US$129m-$130m of revenue last year and could be breakeven (at the adjusted Ebitda line) in the final quarter.

Cardlytics' revenue growth is at the lighter end of the tech IPO spectrum at just 14.4%-15.3% last year, though this was depressed by declining "other platform services" revenue as the company shifted to focus solely on its core Cardlytics Direct business.

The company also departs from the standard software IPO model because it goes into the deal with US$55m of borrowings, though it plans to emerge from the IPO with net cash.

Top-end pricing would imply a market capitalisation of less than US$300m, so it is not going stretch too many valuation models.

VICTORY CAPITAL IPO RIDES BULL MARKET

Multi-boutique asset manager **VICTORY CAPITAL** is poised to become 2018's first debutante from the financial services sector when it looks to price a Nasdaq IPO seeking up to US$222.3m this coming Wednesday, February 7.

The timing looks less than ideal given markets went into sell-off mode last week. *JP Morgan*, *Bank of America Merrill Lynch*, *Morgan Stanley*, *Barclays*, *Goldman Sachs* and *RBC Capital Markets* are leading the sale of 11.7m primary shares at US$17–$19 each.

Backed by private equity firm Crestview Partners, which bought the business from KeyCorp in 2013, Victory has US$61.8bn in assets under management across a range of investment strategies, including nine independently managed "franchises".

Last month Victory unveiled plans to launch new ETFs that will track volatility-weighted indexes in partnership with Nasdaq, having launched three new ETFs in the first nine months of 2017.

Victory generated adjusted Ebitda of up to US$150m last year (final numbers are still to be announced) versus a target market capitalisation of up to US$1.27bn and net debt post-IPO of a little more than US$300m.

The IPO proceeds will be used to repay debt, including US$125m incurred to fund a pre-IPO dividend to existing shareholders.

Crestview will emerge from the IPO with a 52.8% economic interest but will control the company as the biggest holder of super-voting Class B shares. Reverence Capital Partners will own a 14.5% economic interest and its employee shareholders committee 24.3%.

SEATTLE GENETICS SECURES M&A FUNDING

Cancer drug developer **SEATTLE GENETICS** fully funded its planned US$614m acquisition of breast cancer drug developer Cascadian Therapeutics in the equity capital markets.

Barclays and *JP Morgan* priced an upsized US$600m offering of 11.54m shares at US$52 each on Wednesday night. Seattle Genetics shares were up 3.85% on Thursday to US$56.15.

Though the acquisition was backed with a US$400m bridge from the underwriting banks, funds from the fully exercised greenshoe provide Seattle Genetics with enough cash to fund the acquisition after the underwriting fees are paid.

Though funding an M&A deal entirely with equity might seem aggressive, Seattle Genetics' top shareholder Baker Brothers Investments was on board and indicated for its 32% pro-rata share of the deal.

Seattle Genetics has agreed to pay US$10 a share in cash for Cascadian and its late stage breast cancer asset. The drug is currently undergoing Phase II trials with data expected in 2019.

Seattle Genetics' drug Adecetris is approved in the US and Europe to treat four types of cancer with expected sales of US$306m-$308m this year.

The breast cancer drug that is being acquired potentially adds another US$250m to Seattle Genetics' top line, according to an RBC Capital Markets research note.

The acquisition is expected to close by the end of this quarter. Seattle Genetics may become entitled to a US$17m fee if the deal is terminated.

BANKS ACCELERATE BIOTECH FUNDING

Cantor Fitzgerald is off to a fast start to ECM in 2018 thanks in part to its willingness to price biotech blocks. The bank's US$70m

commitment to Irish cardiovascular drug developer **AMARIN** was its second biotech block this year.

The trade was successful for Cantor. Amerin opened at US$3.83 on Tuesday after Cantor priced 19.3m ADSs at US$3.65, a wide 9% discount to Monday's US$4.01 last sale.

"Cantor has found a way that it can compete with smaller banks while it builds its research and M&A advisory platforms," a life science ECM banker told IFR. "But even a small block can blow your foot off if it goes the wrong way."

Cantor's previous block was a US$75m offering of gene therapy specialist Arie Pharmaceuticals in late January.

Cantor is not the only small bank that is doing biotech blocks. *BTIG* committed US$50m to **CERUS** as the latter looks to commercialise its Intercept blood system for reducing blood pathogens during transfusions.

The bank reoffered 11.6m shares at a US$4.23 fixed price after purchasing 10-days' trading at US$4.10 for a US$1.5m profit. Cerus opened at US$4.43 on Wednesday and continues to trade above BTIG's reoffer price.

William Blair left little to chance in pricing a US$55m follow-on offering for **VIKING THERAPEUTICS**. The bank was fully covered by confidential marketing efforts before launching the deal publicly on Thursday night.

The result was an upsized offering of 11m shares at US$5 each, versus the 8.5m shares that were marketed overnight. The stock was back up to US$5.37 early on Friday.

Viking shares have doubled since it priced a US$15m stock offering in early-December at US$2.50. Proceeds will be used to fund ongoing trials of its treatments for metabolic and endocrine disorders.

Its lead drug helps accelerate bone growth in patients that are recovering from hip fracture surgery. Viking has another drug that is undergoing Phase II trials in patients with non-alcoholic steatohepatitis (NASH).

LIVER DRUG DEVELOPER GETS US$125m

CYMABAY THERAPEUTICS, which is developing a drug to treat a rare and devastating liver disease, raised US$125m from an upsized overnight stock sale.

Stoked by reverse inquiry and aided by a wall-crossing, CymaBay sold 11.6m shares at US$10.80 each, the midpoint of a US$10.75-$10.85 marketing range and a 4.3% discount to last sale.

The deal, which was covered at launch and well oversubscribed, was increased from the original US$100m proceeds target.

Impressively, CymaBay brushed aside broader market negativity and traded robustly in Tuesday's aftermarket session, gaining as much as 11.6% to US$12.60 before closing at US$12.00 (up 6.3%).

The Nasdaq Biotechnology Index is up nearly 7% so far this year and up 22% in the past 12 months.

"What you are getting is some of these macro funds putting money in biotech right now because it has been such a big mover," one ECM banker said.

Leerink Partners and *Evercore ISI* were joint bookrunners, the latter new to the name but bringing its respected/differentiated research to the table.

Both *Roth Capital Partners* and *HC Wainwright & Co* (co-managers for the offering) released bullish reports on CymaBay last week, posting price targets of US$27 and US$18 respectively.

CymaBay also raised US$84.5m at US$6.50 a share in July last year, a deal led by

FTS International sizes up to US$350m IPO

US Oilfield services companies capture rising valuations

Oilfield services companies are aggressively pumping the IPO market for new funding amid recovering oil prices.

On Thursday, **FTS INTERNATIONAL**, a provider of hydraulic fracturing services, landed an upsized US$350m from the sale of 19.5m shares at US$18.00, the top of the US$15-$18 marketing range.

FTS opened on the NYSE on Friday at US$19.00 and traded above US$20.00 later in the session.

"It was not just energy specialists," a banker involved in the underwriting said of demand for the offering. "We saw brand-name mutual fund complexes come in for size."

A syndicate of banks led by *Credit Suisse* and *Morgan Stanley* responded to strong investor demand ahead of pricing by revising terms from 15.15m all-primary shares to 19.5m shares. All the extra shares were sold by **CHESAPEAKE ENERGY**, FTS's second-largest shareholder.

Chesapeake, which invested in the business in 2011 as part of a broader consortium, reduced its stake to 20.7% with the sale of 4.3 shares. Temasek and RRJ Capital did not sell but saw their stakes diluted to 39.1% and 11.2%, respectively.

RISING TIDE LIFTS VALUATIONS

The rise in WTI oil from about US$40 a barrel in the middle of last year to the mid-60s has led US oil & gas companies to spend aggressively again to grow production.

In the week ended January 26, the number of drilling rigs operating in the US grew by 12 to 947, the highest weekly gain since March 2017 and compared with just 712 rigs a year ago, according to Baker Hughes. Analysts at Simmons & Company recently forecast that number would average 1,004 this year and 1,128 in 2019.

The US government projects that average daily US oil production will rise this year to a record 10.3m barrels.

FTS is reactivating five hydraulic drilling rigs over the next nine months to meet the growing demand. When the expansion is complete, at a cost of US$34m, it will have 32 fleets with combined capacity of 1.6m horsepower active across five US production basins.

A larger fleet and improved pricing of fleet deployments should lead to a dramatic improvement in operating results. FTS is projected to top US$650m in adjusted Ebitda this year, nearly double the US$370m it expects to generate in 2017, based on estimates of the underwriting banks and preliminary fourth-quarter results.

At the final IPO price, FTS was valued at a multiple of roughly four times 2018 EV/Ebitda, cheap by traditional metrics but also recognising the sector's extreme cyclicality and reliance on a high oil price.

Keane Group, ProPetro and RPC trade at 4.7, 5.1 and 7.1 times 2018 numbers.

Liberty Oilfield Services, another fracker, accepted an even steeper discount when it priced its US$248.9m IPO last month. The decision by FTS to follow Liberty was intentional and designed to avoid the need to avoid a "fire sale", said the banker.

Next up is **CACTUS**, a manufacturer of wellhead and pressure control systems used in hydraulic fracturing.

Cactus is seeking up to US$407m from an IPO due to price next Wednesday.

The company is being valued at eight times EV-to-2018 Ebitda at the mid-point of a US$16–$19 range being targeted on 21.4m shares.

Citigroup and *Credit Suisse* lead a syndicate of 10 banks underwriting the IPO.

QUINTANA ENERGY SERVICES, a diversified oilfield services company, is seeking up to US$142.9m on its IPO, also scheduled to price on Wednesday.

Bank of America Merrill Lynch and *Simmons & Company* are leading the sale of 9.5m shares at US$12–$15.

Stephen Lacey

Leerink, Piper Jaffray and Cantor Fitzgerald on that occasion.

CymbaBay earlier this month enrolled patients for a Phase II study of seladelpar, the orphan drug it is developing to treat so-called primary biliary cholangitis. PBC is a rare autoimmune liver disease that results in impaired bile flow and can turn into fibrosis, cirrhosis and liver failure, and whose symptoms include fatigue and pruritus (severe itching).

SUN, ULTRA TAP ECM AFTER STOCK RALLIES

SUN HYDRAULICS, a provider of industrial technology to hydraulics and electronic markets, took a hefty 16.8% all-in discount in order to price a US$253m three-day marketed stock offering.

In a rare trip to ECM for the company, Sun was able to upsize the deal to 4.4m shares from 4m at launch and priced the shares at US$57.50 late on Thursday. But this was only after the thinly-traded stock tumbled from US$69.19 at launch post-close on Monday.

Morgan Stanley was sole bookrunner.

Bankers said the deal was well oversubscribed, but the shares had run up 80% in the past year and some investors were concerned about them being overvalued.

Early in Friday's aftermarket session, Sun shares were trading at around US$56.00, below the offering price.

The company was "over-equitising" for future acquisitions, one banker said.

Alongside the offering, Sun released flash numbers for 2017, including non-GAAP adjusted net income of US$1.54–$1.58 a share on revenues of US$341.5m–$343.5m.

This is up more than 70% versus 2016 levels, in large part thanks to the late 2016 acquisition of Enovation Controls.

The company is on the hunt for more acquisitions in both the hydraulics and electronics segments, part of its plan to get to US$1bn of annual revenues by 2025.

Sun has an acquisition "pipeline" of more than 50 companies, the most attractive ones with revenues of US$50m–$150m and operating margins of more than 20%.

ULTRA CLEAN, a maker of critical systems and subsystems for the semiconductor capital equipment market, took a 9% file-to-offer discount on a US$100m marketed stock sale.

Taking advantage of an 80% stock surge in the past year and a golden run for the chipmaking sector, Ultra Clean took out a day of marketing before selling 4.8m primary shares or 13% of the outstanding at US$21.00, down from a pre-launch close of US$23.04.

Needham & Company and *Cowen* were joint bookrunners on the offering, which was not wall-crossed and was the first ECM outing for the company in recent memory.

Ultra Clean did not state a specific use of proceeds, but could use the money to fund acquisitions.

Earlier this month, the company guided investors towards fourth quarter revenues at the high end of its US$240m–$250m forecast.

As with rival (and late 2016 IPO) Ichor, Ultra Clean is to a large extent riding on the coattails of its major customer, Lam Research, which is responsible for more than 50% of Ultra Clean's sales.

Lam earlier this month said its shipments were running well above already high expectations, fuelling hopes that the wafer fabrication equipment (WFE) outlook will remain robust through 2018.

Ultra Clean presented at Needham's growth conference last month, while Cowen recently raised estimates for both Ultra Clean and Ichor.

GREEN BANCORP BACKERS PARE STAKES

The private equity/venture capital backers of Texas-based **GREEN BANCORP** took advantage of the bank's rebounding share price to sell about 20% of their holdings via a US$69.8m block trade on Wednesday.

Barclays reoffered 3m secondary shares at a fixed price of US$23.25 each, a 2.5% discount to last sale.

Major shareholders Harvest Partners, Friedman Fleischer & Lowe and Pine Brook Road Partners each sold 1m shares, leaving them with roughly another 4m shares each versus the 37.3m outstanding.

The offering represented about 15 days' trading and was therefore a rare liquidity event for the bank.

The deal took some digesting. Green's shares fell 4.8% to US$22.70 in Thursday's aftermarket, below the reoffer price.

It was Green's first follow-on since it went public in August 2015 at US$15 per share.

Green spent most of its first two-and-a-half years as a public company in the red, trading below US$7 at the market's lows in early 2016.

The run-up since and recent filing activity prompted questions about the intentions of Green's backers on the bank's quarterly earnings call last month.

Chief executive Manuel Mehos declined to comment on the backers' intentions but said they remained supportive and liked the bank's strategy.

During the quarter, the bank delivered 14% annualised loan growth and increased non-interest-bearing deposits by US$119m. But it also took US$5.5m of credit costs related to its "last two E&P relationships".

Also shaping up for a follow-on in the coming week is fellow Texas bank **CADENCE BANCORPORATION**, which filed publicly late Thursday for an all-secondary 8m share offering. Cadence had previously filed confidentially on January 25.

This will be Cadence's second follow-on since it went public last April and follows a rally in its stock price from US$21 in September to about US$28.

Goldman Sachs and *JP Morgan* will lead the offering.

SHELL MIDSTREAM FUNDS PIPE ACQUISITIONS

Equity financings by master limited partnerships have been few and far between in recent years, and predominately via private placements. But public stock sales out of the once-prolific sector may be on the way back.

SHELL MIDSTREAM PARTNERS, the **ROYAL DUTCH SHELL** MLP affiliate, landed roughly US$677.5m in a primary block sale overnight Thursday, its first publicly marketed sale of stock in nearly two years.

Shell Midstream went ex a US$0.333 distribution Friday. Investors buying shares in the offering will not collect this payout.

Morgan Stanley marketed its purchase of 25m units at US$27.10–$27.43 after adjusting for the fourth-quarter dividend, versus Thursday's closing price of US$29.03. The final price was US$27.20.

Shell Midstream will pay the distribution February 14 to shareholders of record February 5. The stock sale closes the following day.

"It was good to see dedicated MLP funds show up (for the offering)," one banker told IFR. "We weren't sure they would."

Still, Shell Midstream broke offer in early trading Friday, falling to US$26.76.

The purchase price of the block was negotiated and not competitively bid, though Shell Midstream likely discussed its financing plans with other banks, the banker told IFR.

Shell Midstream last sold stock publicly in May 2016 via a block sale led by *Barclays* at the higher price of US$33.25 per unit. It also raised US$300m from the concurrent sale of units to Royal Dutch Shell.

The MLP said it does not plan to sell stock again this year, including through its at-the-market programme. It sold 5.4m units through open market sales in the first nine months of 2017.

Shell Midstream is using combined proceeds to repay revolver borrowings following the acquisition late last year of midstream assets from Shell for US$825m.

ECM DEALS: WEEK ENDING 2/2/2018

Stock	Country	Date	Amount	Price	Deal type	Bookrunner(s)
Central Puerto	Argentina	01/02/2018	US$330.0m	US$16.50	IPO (secondary)	BAML, JP Morgan, Morgan Stanley
Hudson	Bermuda	31/01/2018	US$748.6m	US$19.00	IPO (secondary)	Credit Suisse, Morgan Stanley, UBS, BAML, Goldman Sachs
GDS Holdings	China	26/01/2018	US$286m	US$26	Follow-on (primary)	RBC, JP Morgan, Citigroup
Red Star Macalline	China	26/01/2018	HK$1.27bn	HK$10.75	Follow-on (secondary)	CICC
Shangri-La Asia	China	31/01/2018	HK$1.05bn	HK$18.50	Follow-on (secondary)	Morgan Stanley
Times Property Holdings	China	01/02/2018	HK$833m	HK$9.25	Follow-on (secondary)	UBS
Alstria Office REIT	Germany	29/01/2018	€193m	€11.4	Accelerated follow-on (primary)	Morgan Stanley, UBS
Jost	Germany	30/01/2018	€142.33m	€11.4	Accelerated follow-on (secondary)	Commerzbank, Deutsche Bank, JP Morgan
ProCredit	Germany	01/02/2018	€61.04m	€11.4	Accelerated follow-on (primary)	Berenberg
Galaxy Surfactants	India	31/01/2018	Rs9.37bn	Rs1,480	IPO (secondary)	Edelweiss, ICICI Securities, JM Financial
JM Financial	India	30/01/2018	Rs6.5bn	Rs162	Follow-on (primary)	Credit Suisse, IDFC
Quess	India	30/01/2018	Rs5.7bn	Rs950	Follow-on (secondary)	Deutsche Bank
Total Produce	Ireland	01/02/2018	€144.9m	€2.3	Accelerated follow-on (primary)	Davy, Goldman Sachs
Sol-Gel Technologies	Israel	31/01/2018	US$75m	US$12	IPO (primary)	Jefferies, BMO, JMP Securities, Raymond James
Corporacion America Airports	Luxembourg/ Argentina	31/01/2018	US$486.2m	US$17.00	IPO (primary, secondary)	Oppenheimer, BAML, Citigroup, Goldman Sachs
S P Setia	Malaysia	30/01/2018	M$1.01bn	M$3.11	Follow-on (primary)	BNP Paribas, Maybank
Salmones Camanchaca	Norway	01/02/2018	NKr831.6m	NKr42	IPO (primary and secondary)	DNB Markets, Larrain Vial, Nordea Bank, Pareto Securities
Metrovacesa	Spain	02/02/2018	€645.15m	€16.5	IPO (secondary)	BBVA, Deutsche Bank, Morgan Stanley, Santander, Goldman Sachs, Societe Generale
Infant Bacterial Therapeutics	Sweden	30/01/2018	SKr440m	SKr95	Rights issue	SEB, Zonda
SSAB	Sweden	31/01/2018	SKr1.48bn	SKr40	Accelerated follow-on (secondary)	Deutsche Bank, SEB
Entertainment One	UK	29/01/2018	£53.3m	305p	Accelerated follow-on (primary)	JP Morgan, Investec, RBC
Amerin	US	29/01/2018	US$70.0m	US$3.65	Accelerated follow-on (primary)	Cantor Fitzgerald
Cerus	US	30/01/2018	US$50.0m	US$4.23	Accelerated follow-on (primary)	BTIG
CymaBay Therapeutics	US	29/01/2018	US$125.3m	US$10.80	Accelerated follow-on (primary)	Leerink Partners, Evercore
FTS International	US	01/02/2018	US$351.0m	US$18.00	IPO (primary, secondary)	Credit Suisse, Morgan Stanley
Green Bancorp	US	31/01/2018	US$69.8m	US$23.25	Accelerated follow-on (secondary)	Barclays
Seattle Genetics	US	31/01/2018	US$600.0m	US$52.00	Follow-on (primary)	Barclays, JP Morgan
Shell Midstream Partners	US	01/02/2018	US$680.0m	US$27.20	Accelerated follow-on (primary)	Morgan Stanley
Sol-Gel Technologies	US	31/01/2018	US$75.0m	US$12.00	IPO (primary)	Jefferies, BMO Capital Markets
Sun Hydraulics	US	01/02/2018	US$253.0m	US$57.50	Follow-on (primary)	Morgan Stanley
Ultra Clean Holdings	US	30/01/2018	US$100.0m	US$21.00	Follow-on (primary)	Needham, Cowen
Vici Properties	US	31/01/2018	US$1.21bn	US$20.00	IPO (primary)	Morgan Stanley, Goldman Sachs, BAML, Barclays, Citigroup, Deutsche Bank
Viking Therapeutics	US	01/02/2018	US$55.0m	US$5.00	Accelerated follow-on (primary)	Wm Blair

The purchase price is a 7.9-times multiple of expected 2018 adjusted Ebitda.

MLPs, tax-advantaged investment vehicles obligated to pay out the bulk of cashflows to investors, have become capital market pariahs. The benchmark Alerian MLP Index is down 4.3% since the beginning of 2017 and despite a recent rebound remains 47% below peak levels in 2014.

Antero Midstream Partners was the last MLP to sell stock publicly, raising US$314.5m via an overnight block sale in September.

A big reason for investor dissatisfaction is so-called incentive distribution rights that entitle the parent/sponsor to a growing share of distributions paid, making it more expensive for the MLP subsidiary to fund growth with equity.

Shell Midstream has previously committed to increase its distribution by 20% this year.

ARGENTINA

ARGENTINE AIRPORT OPERATOR MAKES CONCESSION ON IPO

An initial public offering from Argentina's CORPORACION AMERICA AIRPORTS took the shine off the country's buoyant ECM market last week after it dramatically cut pricing to get investors on board in a volatile week for equities.

Priced at US$17 a share, the deal from the airport operator came at the bottom end of the final US$17-US$19 range, after leads had already revised from the US$19-$23 original talk on investor push back.

Corporacion America shares sank on debut in closing at US$16.40, 3.5% below offer.

The company sold 11.9m shares and an investment vehicle affiliated with Argentine billionaire and majority shareholder Eduardo Eurnekian another 16.7m.

The air was quickly taken out of a deal that had been seen as a beneficiary of Argentina's turnaround story and the country's possible promotion on the MSCI index to emerging market status later this year.

A sell-off early last week reversed gains on the country's Merval index – which has rallied some 27% since mid December – creating substantial headwinds for the IPO.

"(There was) some sensitivity from non-dedicated LatAm accounts, which (was) reflected in order sizes," said a banker. "Investors use this backdrop to push evaluations."

Nor did it help that accounts had little time to get comfortable with what is the world's largest airport operator having only just absorbed PagSeguro's stellar US$2.3bn IPO the week before.

"Investors had limited time to work on (a deal) with a lot of moving parts," said one portfolio manager.

Corporacion America operates 51 airports in total in Argentina, Brazil, Ecuador, Armenia, Peru, Italy and Uruguay.

The company hopes to benefit from the entrance of low cost airlines in Argentina, which will start to use some of the smaller airports to operate and compete with bus operators.

It brought in total consolidated revenues of US$1.2bn for the nine month period ending September 30 2017, according to the prospectus.

Adjusted Ebitda for the same period was US$354.7m, which the company aims to double by 2023, according the investor.

"There will be more flight replacements of buses and more fees, taxes and airport duties," he said.

At US$17, the quality of orders improved as investors grew more comfortable buying into the deal, especially at a price that came at a nice discount to Latin American and international peers.

"You are buying a high quality asset and a good operator at a lower valuation due to a weak week (in the equity markets)," said the investor.

In the end, Corporacion America came at around 8.9-times EV/Ebitda versus 10-13-times for Mexican airport operators and roughly 13.5-times for Spanish airport operator Aena, said an investor.

"Aena is one of the most loved stocks by hedge funds and has tripled (in price) in two years," he added.

Oppenheimer & Co, *Bank of America Merrill Lynch*, *Citigroup*, *Goldman Sachs* led the offering. Supposedly a long standing relationship with the company on the private banking side is behind Oppenheimer's top billing.

CENTRAL PUERTO REVALUED ON NYSE IPO

Argentina's economic reforms under President Mauricio Macri have been effective, but international investors are reluctant to pay up for valuations being targeted by companies after a rally in LatAm equities.

Power generator **CENTRAL PUERTO** proved a case in point. It had to reset expectations downward after seeking full value for its NYSE-listed IPO.

Bank of America Merrill Lynch, *JP Morgan* and *Morgan Stanley* priced 20m ADSs at US$16.50, a dollar below the US$17.50-$21.50 marketing range and downsize from 35.5m ADS shareholders had hoped to sell.

The US$16.50 offer price marked a 30% to the US-dollar equivalent price of its Merval-listed shares ahead of pricing - each ADS represents 10 common shares.

Central Puerto NYSE-listed ADSs traded on Friday afternoon at US$17.85, up 8.2% from offer. Its Merval-listed shares plunged 16.4% to Ps35.10 (US$1.80).

Despite the disappointment, Central Puerto still achieved a valuation of nearly seven times forward EV/Ebitda, a premium to the five times of rival Argentine power producer **PAMPA ENERGIA**.

Central Puerto generated adjusted Ebitda of US$160m on revenue of US$330m in the first nine months of 2017.

Argentina's power companies are benefiting from higher electricity prices after the government removed tariffs last year on the rates they could charge.

Central Puerto's shares have more than doubled in the past six months.

The US stock listing allowed shareholders to cash out a portion of their investment. It also broadens the company's access to capital as it looks to build four new power plants over the next two years.

Central Puerto currently operates seven facilities with 3,791 megawatts of capacity and holds interests in another three plants.

The company expects to begin commercial operations on two wind projects in April that will add 148 megawatts. It has another 829 megawatts of projects that are scheduled to come online in 2019 and 2020.

STRUCTURED EQUITY

CHINA

HAN'S LASER READIES CB ISSUE

HAN'S LASER TECHNOLOGY INDUSTRY GROUP will hold an internet roadshow on Monday and start bookbuilding the next day for a Rmb2.3bn (US$365m) six-year convertible bond.

The coupon for the proposed CB is 0.20% in year one, stepping up to 2.00% in year six. The initial conversion price has been set at Rmb52.70, or at a premium of 7.6% to the February 1 close of Rmb48.96. The unsecured CB received a AA+ rating from Dagong Global.

The Chinese manufacturer of laser and automatic auxiliary equipment plans to use the proceeds for production projects.

Industrial Securities is the sponsor and joint bookrunner with *Goldman Sachs Gao Hua Securities*.

PAIR RAISE EQUITY-LINKED FUNDS

ZHEJIANG ENERGY GROUP raised Rmb7.9bn (US$1.25bn) from a private placement of three-year exchangeable bonds into **ZHEJIANG ZHENENG ELECTRIC POWER**.

The placement was launched at a base size of Rmb5bn, with an option for a size increase of Rmb2.9bn, which was fully exercised. The coupon was set at 1%. The initial conversion price was set at Rmb5.90, a premium of 0.2% to the pre-deal spot.

Zhejiang Energy holds 9.51bn Zhejiang Zheneng shares, or 69.94% of the company's total issued capital.

CICC and *Citic Securities* were joint bookrunners.

WUXI RURAL COMMERCIAL BANK raised Rmb3bn from an offering of six-year convertible bonds, with the public tranche covered 532 times. Existing shareholders took 37.1% of the CBs, while the rest were sold to retail investors.

The coupon for the CB is 0.3% in year one, stepping up to 1.8% in year six. The initial conversion price is Rmb8.90, flat to the pre-deal spot.

The unsecured CB received a AA+ rating from United Ratings.

The Jiangsu-based lender plans to use the proceeds to strengthen Core Tier 1 capital.

China Securities was the sponsor.

DEVELOPERS ISSUE SHORT-DATED CBS

FUTURE LAND DEVELOPMENT HOLDINGS and **POWERLONG REAL ESTATE** have raised HK$4.34bn (US$555m) through the issue of short-dated convertible bonds. The fundraisings follow the 17% rise in the Hang Seng mainland properties index in January.

Future Land came to market on Monday with a base deal of HK$1.96bn for its 363-day bonds and an upsize option of HK$390m that was duly exercised. On the same day, Powerlong offered bonds of the same tenor to raise HK$1.6bn, which was later increased by HK$390m.

The two companies are part of a rapidly developing trend of issuing very short-dated bonds – which have tenors too short to be eligible for Thomson Reuters convertible league tables – as bonds with maturities under one year do not need to be registered with China's National Development and Reform Commission. Considering the run-up in share prices, the speed to market is important.

"Some property developers still need time to get regulatory approval for new quotas to issue bonds. So, the short-dated CB allows them to raise funds quickly and to have a first-mover advantage," said a senior equity-linked banker.

"The stock rally has boosted investor enthusiasm for CBs from the property sector, because it offers a chance for investors to get stock-like returns at lower risks."

Both bond issues ended up multiple times covered, with more than 70 accounts in the Future Land book. According to the banker, Chinese brokerages and fund companies are very active in these short-dated property CBs.

Powerlong's zero-coupon CB issue was priced at a yield to maturity of 2.75%, the top of a marketed range of 2.00%–2.75%. The conversion premium was set at 23.50%, the lower half of the 22.50%–30.00% range over the reference price of HK$4.41. The initial conversion price is HK$5.4463.

Bank of America Merrill Lynch, *Credit Suisse*, *HSBC* and *UBS* were the joint bookrunners.

On Future Land, *Citigroup* and *Deutsche Bank* were joint bookrunners. The coupon on the CB was fixed at 2.25% payable semi-annually, off a 1.50%–2.50% range, and the conversion premium came at the top of the 25%–28% range over the reference price of HK$8.20.

UNITED STATES

WESTERN DIGITAL REFIS ON RATINGS UPGRADE

Rising volatility combined with a back-up in Treasury rates has tempted large, established companies to dip into the convertible bond market to supplement funding needs.

WESTERN DIGITAL secured US$1bn through the sale of a six-year CB on Tuesday as part of a broader liability management exercise, including US$2.3bn of new eight-year straight bonds and an extension of bank facilities. Combined proceeds fund the tender for US$3.35bn principal of 10.5% notes maturing in 2024.

The CB, by comparison, priced at a coupon of just 1.5% with dilution offset to a 40% premium. While at the wide end of 1%–1.5% and 40%–45% talk, it represented far more attractive funding than what was being taken out.

Moody's responded to the refinancing by upgrading the storage device maker to investment-grade and rating the CB Baa3 ahead of pricing.

Bank of America Merrill Lynch and *JP Morgan* marketed the CB for one day on Tuesday.

Western Digital plans to supplement the refinancing by drawing down US$2.3bn of its US$6.3bn cash holdings at December 29 while reducing overall debt by US$1bn. The company also purchased US$153.5m worth of stock concurrent with the CB placement.

Western Digital shares fell 0.4% to US$87.08 while the deal was on the road, but they are still well above the mid-40s level of 2016 when the company originally issued the 10.5% notes to help fund its acquisition of SanDisk.

JP MORGAN LOCKS IN GAINS ON VOYA FINANCIAL

JP MORGAN CHASE hedged its exposure to VOYA FINANCIAL through the sale of a US$350m, five-year CB exchangeable into shares of the life insurer.

JP Morgan, acting as sole books, placed the CB with investors after one day of marketing on Tuesday at a 0.25% coupon and 35% conversion premium, the mid-point of talk.

The CB can be settled only in cash, allowing the bank to retain upside exposure to share prices of US$70.70.

CNPC sweetens terms for jumbo EB

CHINA Oil giant launches record Rmb20bn issue offering six months after debut sale

CHINA NATIONAL PETROLEUM CORP has launched a record Rmb20bn (US$3.18bn) sale of exchangeable bonds just six months after making a Rmb10bn debut.

For the first public EB issue of the year, the oil giant set more investor-friendly terms than for its first outing last year, in a sign that Chinese issuers have to work harder to woo investors after a flood of equity-linked offerings and an increase in onshore bond yields.

The five-year bonds exchangeable for the A-shares of PETROCHINA will be the largest EB in the domestic market, surpassing China Communications Construction Group's Rmb16bn private issue last November with the A-shares of China Communications Construction as the underlying.

Despite the overwhelming investor response to its debut EB, CNPC sweetened terms for the new issue as a reflection of changed market conditions, according to bankers on the deal.

"The equity-linked market expanded significantly last year due to a surge in supply of both convertible bonds and exchangeable bonds. So the terms have to be more attractive to attract investors," said one banker on the issue.

CNPC set the coupon at 1.4%, the bottom of the indicative range of 1.4%–2.0%. The initial conversion price has been set at Rmb9.38, a premium of 0.9% to PetroChina's pre-deal spot. The initial conversion premium is the lowest of any public EB issue since at least the start of 2017.

For comparison, CNPC priced its debut EB last July at a coupon of 1%. The initial conversion price was set at Rmb9, a premium of 15.5% to PetroChina's pre-deal spot.

SURGE IN SUPPLY

China's equity-linked market experienced explosive growth last year, with supply surging after a series of supportive rule changes.

The combined outstanding principal of the equity-linked market tripled last year to Rmb170bn from Rmb56bn, according to Guosen Securities.

The broker's analysts estimate volume will grow further this year, when there will be new equity-linked supply of at least Rmb180bn.

Apart from the huge supply, rising bond rates are also a major reason behind CNPC's decision to raise the coupon of the new EB, according to the bankers.

Since CNPC's EB debut last July, China's five-year Top Tier Triple A bonds benchmark has risen about 90bp as of January 31, according to Thomson Reuters' data.

DROP IN PRICING

CNPC's outstanding EB has fallen about 6.6% to be quoted at 106.51 on January 31 from a peak of 114.02 on January 25. Bankers, however, believe the recent fall will not have much of an impact on investor demand.

"The investor appetite is still positive for the new issue because many investors focus more on the long-term value of the new EBs," said another banker on the deal.

Everbright Securities analysts estimate the issue will attract orders from 200 to 300 investors, with an allocation rate of 0.3% to 0.5%.

Bookbuilding runs from February 1 to February 6.

Both the issuer and the EBs have AAA ratings from China Chengxin.

The securities can be exchanged for PetroChina A-shares 12 months after issue.

CNPC holds 155bn PetroChina A-shares, representing about 84.6% of the total issued capital.

China Securities, Goldman Sachs Gao Hua Securities and *CICC* are joint leads on the offering. The three banks are also joint bookrunners with *China Galaxy Securities, China Merchants Securities, Citic Securities* and *BOC International (China).*

Proceeds will be used to replenish working capital.

Ken Wang, Fiona Lau

JP Morgan acquired the shares underlying the exchangeable from former Voya Financial parent ING.

As part of the spin-off its former US insurance arm in 2014, ING retained 26.05m warrants exercisable at US$48.75. The warrants, which are net-share settle, expire in 2024.

JP Morgan Chase offloaded exposure in Swiss travel retailer Dufry last month through a similarly structured, US$350m exchangeable.

CANADA

ENDEAVOUR CB TO PAY DOWN DEBT

Canada-listed, Africa-focused and London-headquartered gold miner ENDEAVOUR MINING last week raised US$300m in convertible bonds maturing in February 2023. The bonds came with a coupon of 3% and a conversion price of C$29.47 (US$23.90), a 32.5% premium to the reference price.

The company will use proceeds to repay the US$300m drawn portion of a revolving credit facility. *Societe Generale* was sole bookrunner.

GLOBAL CONVERTIBLE OFFERINGS
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Goldman Sachs	8	3,218.56	19.1
2	Morgan Stanley	7	1,293.58	7.7
3	BAML	6	1,191.53	7.1
4	JP Morgan	8	1,102.07	6.5
5	CSC Financial	2	933.85	5.5
6	RBC	4	830.37	4.9
7	China Merchants Secs	2	785.42	4.7
=7	Citic	2	785.42	4.7
9	BNP Paribas	3	626.91	3.7
10	Barclays	1	500.00	3.0
	Total	**40**	**16,848.72**	

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	15.6
=1	BNP Paribas	2	293.58	15.6
3	JP Morgan	2	233.33	12.4
4	HSBC	1	150.00	7.9
5	Goldman Sachs	1	143.58	7.6
=5	Morgan Stanley	1	143.58	7.6
=5	Citigroup	1	143.58	7.6
8	Bank J Vontobel	1	101.71	5.4
=8	UBS	1	101.71	5.4
=8	Credit Suisse	1	101.71	5.4
	Total	**5**	**1,887.32**	

Including exchangeables.

Source: Thomson Reuters SDC code: C09d

ALL INTERNATIONAL ASIAN CONVERTIBLES (EXCLUDING JAPAN)
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Goldman Sachs	1	1,994.15	69.5
2	Morgan Stanley	1	200.00	7.0
3	JP Morgan	1	160.40	5.6
=3	CIMB Group Holdings Bhd	1	160.40	5.6
5	Yuanta Financial Hldg	1	100.00	3.5
6	HSBC	1	63.61	2.2
=6	UBS	1	63.61	2.2
=6	Credit Suisse	1	63.61	2.2
=6	BAML	1	63.61	2.2
	Total	**5**	**2,869.40**	

Including exchangeables.

Source: Thomson Reuters SDC code: M11

ALL INTERNATIONAL ASIAN CONVERTIBLES
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Goldman Sachs	2	2,147.90	60.4
2	Daiwa Securities	2	380.31	10.7
3	Morgan Stanley	1	200.00	5.6
4	JP Morgan	1	160.40	4.5
=4	CIMB Group Holdings Bhd	1	160.40	4.5
6	Nomura	1	153.75	4.3
7	Yuanta Financial Hldg	1	100.00	2.8
8	HSBC	1	63.61	1.8
=8	UBS	1	63.61	1.8
=8	Credit Suisse	1	63.61	1.8
	Total	**8**	**3,557.21**	

Including exchangeables.

Source: Thomson Reuters SDC code: M10

ALL INTERNATIONAL US CONVERTIBLES
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	BAML	5	1,127.92	17.7
2	Morgan Stanley	5	950.00	14.9
3	RBC	3	750.00	11.8
4	JP Morgan	5	708.33	11.1
5	Barclays	1	500.00	7.8
6	Goldman Sachs	4	475.00	7.5
7	Wells Fargo	4	402.92	6.3
8	China Merchants Secs	1	333.33	5.2
=8	BNP Paribas	1	333.33	5.2
=8	Citic	1	333.33	5.2
	Total	**12**	**6,372.50**	

Source: Thomson Reuters SDC code: C9a

EQUITY-LINKED DEALS WEEK ENDING: 2/2/2018

Issuer	Country	Date	Amount	Greenshoe	Tenor	Coupon (%)	Premium (%)	Bookrunner(s)
Powerlong Real Estate	China	29/01/2018	HK$1.99bn	HK$390m	2019	0	23.50	BAML, Credit Suisse, HSBC, UBS
Future Land Development	China	29/01/2018	HK$2.35bn	HK$390m	2019	2.25	28	Citigroup, Deutsche
China Evergrande Group	China	30/01/2018	HK$18bn	-	2023	4.25	40	BAML, Credit Suisse, Citigroup, Deutsche, Haitong, UBS
Voya Financial	US	30/01/2018	US$350.0m	NA	5y	0.3	32.5	JP Morgan
Western Digital	US	30/01/2018	US$1.0bn	US$100.0m	6y	1.5	40.0	BAML, JP Morgan

Reach the people who matter

For more information on the various advertising and sponsorship opportunities available within IFR, email: cmi.advertising@tr.com

THOMSON REUTERS

INTERNATIONAL FINANCING REVIEW CONTACTS

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: Carol Chan
+852 2912 6604

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

The contents of this publication, either in whole or part, may not be reproduced, stored in a data retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise without written permission of the publishers. Action will be taken against companies or individual persons who ignore this warning. The information set forth herein has been obtained from sources which we believe to be reliable, but is not guaranteed. Subscriptions to IFR are non-refundable after their commencement issue date. © Thomson Reuters 2018. Registered as a newspaper at the Post Office. Registered Office: Thomson Reuters Ltd, 30 South Colonnade, Canary Wharf, London E14 5EP. Registered no: 2012235, England. Printed in England by Wyndeham Grange Ltd, Brighton, Sussex. ISSN: 0953-0223. Unauthorised photocopying is illegal.

INTERNATIONAL FINANCING REVIEW INDEX

AB InBev 35
Ablynx 75
Access CIG 78
Acea 35
Acleda Bank 72
AC Milan 75
Action 82
African Development Bank 33
AFW 19
Air Berlin 67
Albea 43
Algeco Scotsman 42
Alitalia 67
Al Jaber Group 84
Alliander 36
Al Rayan Bank 28
Alstria 88
Altran 82
AMAG Leasing 37
Amarin 93
American Gaming Systems 78
American Homes 4 Rent 34
Arclin 81
Aroundtown 37
Asian Development Bank 33
Atkore International 81
AusNet Services Holdings 38
Australian Office of Financial Management 49
Banco Popular 24
Banco Sabadell 25
Banco Santander 38
Bankinter 40, 41
Bank of America Merrill Lynch 16, 23
Bank of Baroda 87
Bank of Montreal Capital Markets 16
Barclays 23
Bellsola 82
Berendsen 43
Berlys 82
Bevco Lux 35
Binhai New Area 60
Blackstone 6, 45
Brevan Howard 19
Bumper 10 46
Cactus 93
Cadence Bancorporation 94
Caixabank 25
Camposol 70
Capita 76, 91
Cardlytics 92
Cassa Depositi e Prestiti 35
Central Puerto 96
Cerus 93
Chesapeake Energy 93
Chile 70
China Cinda Asset Management 60
China Development Bank 24
China Eastern Airlines 65
China Evergrande Group 5
China Logistics Property Holdings 65
China National Petroleum Corp 97
China SCE Property Holdings 73
China Shanshui Cement 65
Chinese whispers 20
CIBC World Markets 16
Cinda Asset Management 64
Cision 81
Citigroup 23
Clifden 45
Close quarters 20
Commercial Bank of Qatar 68
Commonwealth Bank of Australia 22
Compania Pesquera Camanchaca 90
Consolidated Container Co 81
Constellation Brands 34
Corporacion America Airports 95
Creative Artists Agency 80
Credit Bank of Moscow 59
Credito Real 70
Credit Suisse 17, 23
CSN 69
CymaBay Therapeutics 93
Dana Gas 69
Dermapharm 88
Deutsche Bank 15, 23, 24
Deutsche Glasfaser 75
Deutsche Hypothekenbank 41
Dominican Republic 70
Driver Espana Five 45
Driver Turkey Master S.A. 46
Dr Pepper Snapple Group 76
Dubai Islamic Bank 68
Dufry 85
EaglePicher Technologies 77
EG Group 83
EIG Management Company 80
Elis 43
Emirates NBD 69
Endeavour Mining 98
Enerjisa Enerji 9, 90
Entertainment One 91
Epicor Software Corp 79
Etihad Airways 67
Eurex 21
European Financial Stability Facility 29
European Investment Bank 32
European Union 31
Evercore 22
Export Development Canada 30, 33
Far East Horizon 72
FedEx 4, 34
FeeCo 79
Flamingo 83
Flemingo Duty Free 88
Fondo de Amortizacion del Deficit Electrico 31
Ford Motor Credit Company 36
Freddie Mac 47
FREMF SPC Series K-I01 47
FTS International 93
Fujian Zhanglong Group 64
Fujifilm Holdings 77
Future Land Development Holdings 5, 96
GDS Holdings 86
General Insurance Corp of India 87
Global Lending Services 48
GLS Auto Receivables Trust (GCAR) 2018-1 48
Goldman Sachs 23, 25
Gopher Resource 78
Gran Tierra Energy 70
Greece 8
Green Bancorp 94
Greenland Holding Group 61, 65
GSO 6
Guanghui Energy 87
Guorui Properties 64
Han's Laser Technology Industry Group 96
HC International 64
Helaba 41, 40
HICL Infrastructure Co 76
Hon Hai Precision Industry 88
Hovnanian 6
Huami 86
Hubbell 34, 76
Hubei Science & Technology Investment 61
Hudson 85
Hulic 73
Iberdrola 75
I-Med 83
Indiabulls Housing Finance 65, 73
Infant Bacterial Therapeutics 90
Informa 75
Inner Mongolia High-Grade Highway 60
Instone Real Estate 89
International Finance Corp 33
Invictus 78
IPSCO Tubulars 91
Israel Electric 67
Itiviti Group 81
IVC 83
Japan Oil Gas & Metals National 73
JBS USA 69
JC Penney 46
Jiangsu Financial Leasing 87
JM Financial 87
Jost 89
JP Morgan 17, 23
JP Morgan Chase 97
Just Group 39
Just the medicine 20
KazMunaiGas 66
Kellogg Co 77
Keurig Green Mountain 76
KfW 10
Kismet 90
KME 42, 43
Kommunalbanken 29, 33
La Banque Postale 41
La Jacinta Solar 70
Lazard 22
LeasePlan Corp 45
Liberty Media 80
Lifetime Brands 79
Lightstone Generation 81
Local Government Funding Vehicle 33
Lodha Developers 88
Low & Bonar 76
Lowell 43
Lucid Energy Group II 80
Lumileds 80
Macy's 46
Mallinckrodt 79
Marketo 81
MCUBS MidCity Investment 73
Metrix Portfolio Distribution Plc 46
Metrovacesa 9
MGM Growth Properties 85
Mizuho Financial Group 21
MLP Saglik Hizmetleri 9
Mongolyn Alt 66
Morgan Stanley 23
Moscow Domodedovo Airport 59
MUFG 21
Municipality Finance 32
MyEyeDr 80
National Australia Bank 49
National Insurance 87
National Rural Utilities Cooperative 34
National Veterinary Associates 81
Nationwide Building Society 44
Nederlandse Gemeenten 33
Nederlandse Waterschapsbank 29
Newcastle Permanent Building Society 40
Noble Group 6
Nomura Holdings 21
Nordea 39
Northern Territory Treasury Corp 33
Nostrum Oil 66
On Assignment 78
Oriental Insurance 87
Pampa Energia 96
Paratus AMC 45
Pemex 59
Perfect China 86
Petrobras 77
PetroChina 97
Philip Morris International 77
Phoenix Services International 80
Pietra Nera Uno 45
Ping An Healthcare and Technology 86
Ping An Insurance (Group) 86
Poland 66
Poly Real Estate Group 64
Portugal 32
Power Finance Corporation 73
Powerlong Real Estate Holdings 5, 96
ProCredit Holding 89
ProMach 79
Prosegur Compania de Seguridad 36
Prospect Medical 79
Pure Gym 43
Queensland Treasury Corporation 32
Quess 87
Quintana Energy Services 93
Rabobank 40
RBC Capital Markets 16
Red Star Macalline 87
Rhodium Resources 66
RMAC 45
Robertshaw Holdings 78
Romania 67
Royal Dutch Shell 94
Rural Electrification Corporation 73
RusHydro 59
Safilo 75
Salmones Camanchaca 90
Sanofi 74
Santander 24
Schaltbau Holding 89
Scientific Games 44
Scientific Games International 79
Scotiabank 16
Seadrill 24
Sears 46
Seattle Genetics 92
Selecta 43
SFIL 31
Shaanxi International Trust 87
Shandong Linglong Tyre 72
Shangrao Investment Holding Group 64
Shangri-La Asia 87
Sharjah 8, 68
Sharjah Finance Department 68
Shell Midstream Partners 94
Shutterfly 78
SIAS 35
Silverstone 44
S Immo 37
SK Lubricants 88
Social Finance 47
SoFi 48
Sol-Gel Technologies 89
Solus 6
Sparkasse Pforzheim Calw 41
SP Setia 88
SSAB 90
Standard Chartered 24
Sulfindo Adiusaha 65
Sumitomo Mitsui Financial Group 21
Summit 43
Suncorp-Metway 40
Sun Hydraulics 94
Swissport 82
Syniverse Technologies 78
Taizhou Huaxin Pharmaceutical 64
TD Securities 16
Tesla 47, 48
Teva 75
TFI TAB Food Investments 90
The New India Assurance 87
The PRS REIT 91
Thomson Reuters 7
Times Property Holdings 87
Tolkien Funding Sukuk No.1 Plc 28
Total Produce 89
Tractel 82
Transurban 86
Trico Products Corp 80
Trimco International Holdings 84
Ullink 81
Ultra Clean 94
Unibail-Rodamco 74
United Auto 47, 49
United Auto Credit Securitization 49
United India Insurance 87
Vantage Data Centers 47
Venetian Macau 74
Vici Properties 85
Victory Capital 92
Victory Capital Management 78
Viking Therapeutics 93
Viridian 42
VML US Finance 74
Volkswagen Dogus Finansman 46
Volkswagen Financial Services 37, 45
Voya Financial 97
Wellcome Trust 37
Western Digital 41, 97
Westpac 39
World Omni 47, 49
World Omni Financial (WOART 2018-A) 49
Wuxi Rural Commercial Bank 96
Xerox Corp 77
Yango Group 64
Yes Bank 64
Zhejiang Energy Group 96
Zhejiang Zheneng Electric Power 96
Zhongtai Financial International 64
Zotec Partners 79

THOMSON REUTERS
EIKON™

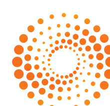
IFR, now appearing on screens everywhere

Access IFR via the industry's most intuitive desktop and mobile platform.

On Thomson Reuters Eikon, all the actionable intelligence from IFR is easier to view, search and use in your wider trading, investment, FI and capital raising strategies. The full range of IFR editorial content, now accessible in one location – that's a powerful combination.

Try Thomson Reuters Eikon Free.
For more information or a free Eikon trial, go to: inancial.thomsonreuters.com/eikon

© 2018 Thomson Reuters. 03/15.



THOMSON REUTERS™

THE FIRST STEP IN CLO ANALYSIS: DETAILED, ACCURATE, AND TRANSPARENT
LPC COLLATERAL

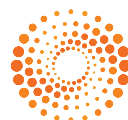
LPC COLLATERAL OFFERS CLO INVESTORS, MANAGERS & TRADERS A COMPETITIVE EDGE

CLO market professionals use LPC Collateral to run market value coverage analysis on CLO tranches and to compare holdings, asset breakdowns and overlap across CLOs.

LPC Collateral also includes Thomson Reuters LPC's loan market news and data, enabling users to dive into the underlying collateral of CLOs. The historical performance of CLOs can be analysed using LPC Collateral's charting function, then benchmarked against other deals and market segments.

CONNECT TO THE GLOBAL SYNDICATED LOAN MARKET WITH THOMSON REUTERS LPC

lpc.info@thomsonreuters.com
www.loanpricing.com



THOMSON REUTERS