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IFR ASIA DCM BRIEFING

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ASIA PAC G3 (EX JAP) DCM
BOOKRUNNERS: 1/1/2013 TO 25/7/2013

	Managing bank or group	No. of issues	Total US$(m)	Share (%)
1	Citigroup	68	12,818.3	9.9
2	HSBC Holdings	87	12,635.0	9.8
3	Deutsche Bank	71	11,156.8	8.6
4	JP Morgan	55	9,973.7	7.7
5	BofA Merrill Lynch	54	8,893.9	6.9
	Total	246	129,521.5	

Source: Thomson Reuters (SDC code: AR1)

ASIAN CURRENCIES DCM
BOOKRUNNERS: 1/1/2013 TO 25/7/2013

	Managing bank or group	No. of issues	Total US$(m)	Share (%)
1	Citic	90	18,717.2	6.3
2	Bank of China	61	14,262.3	4.8
3	HSBC Holdings	277	13,493.7	4.6
4	Agricultural Bank of China	51	10,167.5	3.4
5	Standard Chartered	179	9,316.2	3.1
	Total	2,155	296,619.3	

Source: Thomson Reuters (SDC code: AS1)

HONG KONG DCM
BOOKRUNNERS: 1/1/2013 TO 25/7/2013

	Managing bank or group	No. of issues	Total HK$(m)	Share (%)
1	HSBC Holdings	100	26,102.5	59.3
2	Standard Chartered	30	10,439.5	23.7
3	BNP Paribas	10	3,621.5	8.2
4	BofA Merrill Lynch	2	1,000.0	2.3
5	JP Morgan	1	560.0	1.3
	Total	152	44,020.0	

Source: Thomson Reuters (SDC code: AS5a)

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Bankers and ratings analysts are flocking to Manila after Moody's put the Philippine government ratings under review for an upgrade, raising the possibility that the sovereign could soon have an investment-grade rating from all three major agencies. The newly acquired status makes the case for local companies which sell dollar-denominated debt to get a rating – and potentially better deals on their bonds.

Companies from the Philippines have traditionally issued dollar bonds without getting a rating. Part of the reason for that, said bankers, was because the former sub-investment-grade rating of the sovereign capped the rating on local corporates, even if some of them had balance sheets that would put them solidly in the investment-grade category.

This, year both Fitch and Standard & Poor's gave the REPUBLIC OF THE PHILIPPINES BBB– ratings. On Thursday, Moody's said it might soon move the sovereign from Ba1 to Baa3 as well. These moves have removed the ratings constraint faced by local corporations.

"We have been encouraging companies to get ratings, especially now when we have been promoted to investment grade," said one banker in Manila.

The decision to get rated could translate into longer tenors, larger deal sizes and lower spreads for some of these names.

One banker pointed at a US$800m 10-year bond sold by San Miguel, one of the largest conglomerates from the Philippines, in April. At the time, the company sold the bonds to yield 4.95%. The company did the transaction without getting rated.

A couple of weeks later, India's ONGC Videsh, rated Baa2/BBB–, was selling 10-year bonds to yield 3.756%. The 130bp difference would have represented savings of almost US$100m over the life of the bond.

Besides, bankers said, being rated would allow these companies to more easily get larger deals and longer tenors. "If they are trying to get over US$1bn for 10 years or 30 years, being rated is absolutely necessary," said one banker in Singapore.

However, bankers themselves are not too hopeful that more than a handful of companies actually get rated, even if they may now be able to boast investment-grade credentials. "There might be a few guys who will want to get rated, but for most of the issuers it does not make much sense," said the Singapore banker.

The reason, said bankers, was a dynamic particular to the Philippines, where local investors buy dollar-denominated bonds from local issuers regardless of where Fitch, Moody's and Standard & Poor's put them.

Philippine investors have a lot of dollar liquidity because of the high volume of remittances that comes into the country's financial system. Hence, they are constantly seeking dollar investments, preferably from local companies.

"As long as a company can tap that local bid, they do not really need a rating," said a banker in Hong Kong. "Why would they pay US$60,000 for a rating if they don't need one?"

Yet, bankers and analysts said that they were pitching the idea and that some of the companies are warming up to it. As more corporate issuers get ratings and as the savings of doing so become evident, they hope the fad will catch.

Local Markets

TIANJIN BINHAI RURAL COMMERCIAL BANK priced Rmb1.5bn (US$244m) of 10-year non-call 5 Tier 2 loss-absorbing bonds at a yield of 6.50%. This is China's first Basel III-compliant capital instrument.

City commercial banks, trust companies, securities houses and rural credit co-operatives were the main investors on the deal. A source close to the deal said a certain spread had

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been added to the final coupon to compensate investors for the possibility that the bonds will write down to zero if the China Banking Regulatory Commission decides the bank is no longer viable.

Though small, the deal may provide a template for more than Rmb280bn of loss-absorbing Tier 1 and Tier 2 capital instruments that the country's giant state-owned lenders plan to issue by 2015.

China began to enforce Basel III standards on January 1 2013, and the loss-absorbing requirement for subordinated capital will put the country's banks on a par with global peers.

Credit Suisse Founder Securities was the lead manager on the deal, while *Goldman Sachs Gao Hua Securities* and *Southwest Securities* were joint leads. A local agency has rated the deal A+ and the issuer AA–.

Asia G3

CITIGROUP (Baa2/A–/A) priced a ¥75bn three-year Samurai that achieved its two main objectives: size and competitive cost versus its implied US dollar funding.

The LTRO-compliant deal came with a ¥58bn fixed piece that priced at the three-year swap offer rate plus 28bp, carrying a 0.633% semi-annual coupon. That was bang on the final guidance level released yesterday prior to books closing at 3pm Tokyo time.

There was a ¥17bn three-year FRN which priced at three-month yen Libor plus 38bp, again flat to the final guidance.

Citi had not issued in the Samurai market for six years, back in the days when it was Double A rated and able to access longer tenor money. But the Samurai market is restricted to a maximum of three years for issuance below the Single A level and Citi is rated Baa2 by Moody's while S&P and Fitch rate it A– and A respectively.

However, the lack of issuance from the US bank has created rarity value for the name in the Samurai market, with much of its outstanding yen debt having been redeemed, hence demand was always going to be there.

And at the offer side plus 28bp level Citi printed in the low 90s equivalent over dollar Libor, around flat to where its 1.7% due 2016 dollar paper was seen before the Samurai printed. This is thanks to a competitive yen-dollar basis swap which has moved back to around negative 49bp having been as low as 63bp late last month.

With the prospect of the three-year basis moving back to the late 20s where it was in May, prompting a near-record level of Samurai issuance, more deals at this tenor are likely to emerge when the holiday season ends and the issuance window fully reopens.

Secondary

Asian credit markets recovered some of the losses incurred earlier in the week with most investment-grade credits finishing the session some 4bp tighter. However, liquidity was slim and desks reported only a handful of trades crossing the screens.

Most of the actual movement happened in the sovereign space, with desks focusing on CDS as investors were unwilling to take any positions in bonds ahead of a busy week for economic data in the US.

The Asia iTraxx IG index closed the session 4bp tighter at 139bp, led by Indonesia's five-year protection, which tightened 5bp to 210bp.

"We are getting into a clearer range," said one trader in Singapore. "We barrelled out yesterday and came back in today."

On the cash side, traders saw some movement in Philippines paper as local investors bought more sovereign bonds on the back of a move by Moody's, which yesterday put the sovereign under review for an upgrade. (For more details, see top story.)

The 2037s closed some US$2 higher in price terms as a result of the demand amid very few trades. Indonesia lagged on that front and its bonds ended the session pretty much unchanged.

Private banking was seen picking up some of the shorter-dated high-yield bonds. One trader said he saw small amounts of the Agile 2017s change hands, which pushed the price of the bonds up by 25 cent to 108.50.

Desks were reporting general interest in property names, too, following statements from the Chinese government that it may intervene to ensure that GDP growth remains healthy.

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