ifr briefings Monday, 23 June 2008

IFR ASIA DCM BRIEFING

ASIA PAC G3 (EX JAP) DCM (19/06)	
1: Citi	US$4.63bn
2: JP Morgan	US$3.58bn
3: Credit Suisse	US$3.51bn
4: Deutsche Bank	US$3.40bn
5: HSBC	US$3.30bn

ASIAN CURRENCIES DCM (19/06)	
1: StanChart	US$5.50bn
2: CITIC	US$4.73bn
3: HSBC	US$4.71bn
4: Citi	US$2.89bn
5: DBS	US$2.06bn

HONG KONG DCM (19/06)	
1: HSBC	HK$18.8bn
2: StanChart	HK$12.2bn
3: Barclays	HK$3.70bn
4: Citi	HK$3.55bn
5: Deutsche Bank	HK$3.52bn

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Secondary Trading

The week started gloomily with rising oil prices, a potential profit warning from Merrill Lynch and yet more mortgage write-downs from US banks. Weakness in US equities on Friday sent investors running into the arms of US Treasuries. The yield on the two-year dropped 7bps to 2.87% while that on the 10-year fell 7bps to 4.14%. The highlight of the week is going to be the two-day FOMC meeting which starts tomorrow. In Asia it is a data heavy week out of Japan.

Elsewhere in Asia, inflation figures will dominate sentiment. Vietnam is likely to see CPI rise even further to 27%, while Singapore is not having a great time either. Inflation likely to have been 7.6% in May while industrial production weakened -2%.

Credit default swaps gapped out this morning. The **iTraxx Investment Grade** index was 6bp wider this morning at 145bp, while the **High-Yield** benchmark was 12bp wider at 535bp.
iTraxx Australia followed a similar trend. It closed last week at 117bp/119bp and was 6bp wider this morning at 125bp. Of note was **Macquarie Bank's** 5-year CDS which was 20bp wider at 200bp on the back of continued collapse of Babcock & Brown's share price. Also notable were Australian wrapped airport bonds which are all out 20bp-45bp thanks to US monoline downgrades.

Primary Asia

In New Zealand, **Marac Finance**, one of New Zealand's largest and longest-serving finance companies, has launched its up to NZD125m (USD94.7m) 5-year fixed rate bond sale via a **Forsyth Barr** and **ANZ**. The interest rate will be either in the range of 10. 50% or 2.75% above the prevailing five-year swap rate. "This offer… represents a further broadening of Marac's funding base, which already consists of committed bank facilities, secured retail debenture stock and an ongoing securitisation programme," said managing director Brian Jolliffe. The bonds have been rated BBB- by S&P.

In Australia, regional lender **St George Bank** announced on Friday that it had completed all of its wholesale funding needs for 2008 and had raised AUD1bn (USD954m) of its estimated ANZ11bn-12bn for 2009. This follows the EUR900m (USD1.4bn) five-year bond it sold via JPMorgan and UBS last week.

In China, Shanghai listed **Gezhouba** will roadshow its CNY1.39bn (USD198m) of bonds with detachable warrants on June 24 and 25. The tenor of the bonds is six years but only 18 months for the warrants. **Citic Securities** is the sponsor and lead manager of the deal being talked at 0.60% to 1.50% for coupon. Bookbuilding will be conducted on June 27.

Each bond (of Rmb1,000) comes with 217 detachable call warrants. Holders of the warrants can exercise the call option at an initial price of CNY9.19 apiece. Two warrants can be converted into one A-share. If the entire 301.63m warrants are exercised, an additional CNY1.39bn will be raised. Existing shareholders will have pre-emptive rights on the issue. The firm's parent, Gezhouba Group, has committed to take CNY100m of the bonds plus warrants issue.

The bond due June 26 2014 received a domestic Double A plus rating from New Century Rating. And, the proceeds will be used to repay bank loans and for working capital. It will help to save around CNY800m a year in interest expenses.

And, **Ministry of Railway** (A-1 short-term, Dagong International Rating) issued the largest single-tranche short-term bills (effectively CP) issue in China - a CNY10bn of 365-day CP at a yield of 4.65%. Payment date was June 20 2008 with a maturity on June 20 2009. **Industrial & Commercial Bank of China** and **China construction Bank** were the joint leads of the deal. The Ministry has registered to issue up to CNY60bn of CP with NAFMII.

However, **Agricultural Development Bank of China** (ADBC) cancelled a CNY10bn-15bn finance bond auction on June 25, citing change of fundraising plan. It was the second time ADBC cancelled bond auction this year. It called off an auction on March 14 without giving any reasons. ADBC has raised CNY142.11bn from 11 deals so far this year.

Headcount

In Indonesia, **Boediono** has been installed as governor of the central bank of Indonesia. He took over last Thursday from Burhanuddin Abdullah who was governor from 2008.

This week (deals over US$50m)

Thursday:
Export-Import Bank of China (China): CNY1.5bn 9mth, Dutch auction

Friday:
China Everbright Bank (China): CNY2bn 10yrNC5, CICC/Everbright Sec

Pipeline

July 2 – New Lake Zhung Bao (China)
• CNY1.3bn 8yr w/ calls. South Western Sec
July – Poly Real Estate (China)
• CNY4.3bn 3-10yr. Citic Sec
July – China Vanke (China)
• CNY5.9bn 3-10yr. Citic Sec
July – Gezhouba Group (China)
• CNY1.39bn bonds w/ warrants.
July – Beijing North Star (China)
• CNY1.7bn 3-7yr bonds.
July – Swedish Export Credit (Thailand)
• THB3bn (USD92m) 3yr notes. Citi
July – Kesoram Industries (India)
• INR5bn (USD117m) 3yr–5yr bonds. Indo Premier, CIMB GK Securities
July – Korea Development Bank (Korea)
• USD300m 3yr CBO. ML, KDB

Q3 – Mega Commercial Bank (Taiwan)
• Long-term bonds up to NTD25bn
Q3 – Taiwan High Speed (Taiwan)
• NTD6.8bn 5yr bond for refinancing
Q3 – Krung Thai Bank (Thailand)
• THB30bn sub bonds
Q3 – Siam Commercial Bank (Thailand)
• THB20bn sub bonds
Q3 – TMB Bank (Thailand)
• USD2bn equivalent
Q3 – Ticon Industrial Connection (Thailand)
• THB500m bonds
Q3 – Woori Bank (Korea)
• THB9bn bonds
Q4 – Siam Cement (Thailand)
• THB10bn bonds