

# IFR JAPAN CAPITAL MARKETS BRIEFING

■ JULY 28 2011

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## ALL INTERNATIONAL YEN BONDS

BOOKRUNNERS: 1/1/2011 TO 22/7/2011

	Managing bank or group	No. of issues	Total ¥(m)	Share (%)
1	Daiwa Securities	34	363,583.33	17.6
2	Nomura	42	341,091.53	16.5
3	Mizuho	33	316,903.33	15.3
4	Sumitomo Mitsui	30	252,447.00	12.2
5	Mitsubishi UFJ MS	15	248,058.33	12.0
6	JP Morgan	4	116,100.00	5.6
7	Citigroup	14	104,166.67	5.0
8	HSBC	4	81,700.00	3.9
9	BofA Merrill Lynch	8	50,200.00	2.4
10	BNP Paribas	6	49,200.00	2.4
	<b>Total</b>	<b>110</b>	<b>2,071,700.20</b>	

Source: Thomson Reuters (SDC code: K12)

## JAPAN EQUITY & EQUITY RELATED

BOOKRUNNERS: 1/1/2011 TO 21/7/2011

	Managing bank or group	No. of issues	Total ¥(m)	Share (%)
1	Nomura	26	458,659.62	36.2
2	Daiwa Securities	18	259,218.28	20.4
3	Mizuho Financial Grp	11	153,102.33	12.1
4	BofA Merrill Lynch	2	108,164.11	8.5
5	Goldman Sachs & Co	2	100,399.15	7.9
6	Sumitomo Mitsui	8	73,397.82	5.8
7	Morgan Stanley	8	55,190.92	4.4
8	KGI Securities (Taiwan)	1	12,051.64	0.9
9	UBS	2	11,768.15	0.9
10	Credit Suisse	1	10,407.51	0.8
	<b>Total</b>	<b>70</b>	<b>1,268,678.66</b>	

Source: Thomson Reuters (SDC code: C1e)

To find out how you can generate League Tables and analyse investment banking and deal trends take a look at ThomsonONE.com Investment Banking and SDC Platinum.

## Structured Finance

The largest Japanese life insurer **NIPPON LIFE INSURANCE** priced a ¥100bn two-part subordinated debt issued in the form of a structured product backed with foundation funds, or kikin funds as locals referred to them.

In part to target a pocket of retail demand on the back on recent retail JGB redemption, Nissay issued a ¥50bn five-year tranche at the 1% coupon needed to attract individual buyers. The price comes out to 43bp over swaps.

The second piece was a ¥50bn 1.12% six-year wholesale tranche paying 45bp over. While domestically in the Double A spectrum with AA- from both R&I and JCR, the deal is an attractive proposition relative to the senior, unsecured funding in the five-year of the two of the megabanks (BTMU and SMBC) currently at a single digit over the government's curve and even tighter versus swaps. More specifically, pricing comes 3bp higher compared to where BTMU issued a 10-year sub earlier in July.

*Daiwa Capital Markets* and *Nomura* were joint leads, with the former taking a larger 55% share on the retail portion, and both houses having equal allocations for the institutional offering.

## Primary Bonds

In an unusual move for the domestic primary market, **MITSUI SUMITOMO FINANCE & LEASING** decreased the size of its five-year bonds to ¥18bn from the initially targeted and communicated ¥20bn to the market. At one stage, lead manager *SMBC Nikko* and co-leads *Mizuho*, *SMBC Friend*, *Daiwa* and *Mitsubishi UFJ Morgan Stanley* were even forced to stop marketing at the set guidance and re-approach investors at a single number at the wide-end of the JGBs plus 16bp–24bp guidance. The paper yields 0.621%.

The reason behind MSFL's bumpy ride is the dismal results from Mitsubishi UFJ Lease & Finance's ¥20bn 0.567% five-year deal last Friday. Priced at just 16bp over JGBs, many saw the final level as being too expensive, with some investors voicing their views that fair value was in the 20s area. Joint leads Citigroup, Tokai Tokyo, MUMSS, Mizuho and Daiwa, were even rumoured to have offered the paper at a discount, cutting fees. That prompted some investors to step onto the sidelines and pricing MSFL on the wide-end appears to have been needed to pull accounts back to leasing names. Speculations were that the five leads are likely left sitting on unsold Mitsubishi Lease paper as its secondary levels were heard on Wednesday at JGBs plus 23bp–24bp.

**HANA BANK** wrapped up a two-day Japan roadshow on Wednesday, ahead of pricing its second public yen bond on Thursday, August 4. Issuance is again being prepared through standalone documentation on an indicative deal size of ¥10bn–¥5bn each in 2s/3s. However, Hana, rated A1/A+ (Moody's/JCR), will adjust the final tranche sizes to meet actual demand.

Price guidance will be revised later this week from the initial ranges of yen offer-side swaps plus 60bp–80bp and plus 80bp–100bp, respectively.

The targeted benchmark is understood to be ¥30bn, similar to last November's dual-tranche debut deal printed through Barclays Capital, Mitsubishi UFJ Morgan Stanley and UBS. The ¥22bn 1.54% 15-month tranche printed at plus 110bp, while the ¥8bn 1.69% two-year piece was fixed at plus 125bp.

*Daiwa*, *JP Morgan*, *MUMSS* and *UBS* are joint leads.

**RABOBANK**, rated Aaa/AAA/AA+, has added ¥10bn to its yen funding, settling mid-week a one-year zero coupon note issued off its GMTN programme arranged through *Credit Suisse*. The deal, priced at 99.77 and yielding 0.23%, was sold to non-Japanese investors looking to buy due to a capital gain incentive.

Rabo also priced on Tuesday A\$162.9m (US\$177.8m) 4.32% two-year and NZ\$130m (US\$113m) 4.17% three-year notes via *Daiwa*, off its GMTN programme, and sold to Japanese retail.

Meanwhile, the **KINGDOM OF BELGIUM**, rated Aa1/AA+/AA+, has also settled a Euroyen transaction. While it is a small ¥10bn deal for the sovereign, it is also a relatively long-dated issuance, given the foreign currency denomination amid the European concerns,

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extending to the 15-year tenor. The note, issued under Belgian law, carries a 1.91% semi-annual coupon with *BNP Paribas* as manager.

There have also been short-dated clips of ¥6bn in private-placement FRNs from French banks. The latest such deal comes from **CREDIT AGRICOLE**'s London branch. The 1.5-year floater via *HSBC* pays three-month yen Libor plus 58bp. It settles on July 29. Before that, **BPCE** closed on July 21 a 1.5-year trade, also via *HSBC*, paying 48bp over three-month Libor. Preceding these was **BNP PARIBAS** slightly longer self-led two-year at 30bp over three-month Libor. Given the reasonably large scale of the issue size, some bankers are suspecting a relatively large bank-type investor behind these deals.

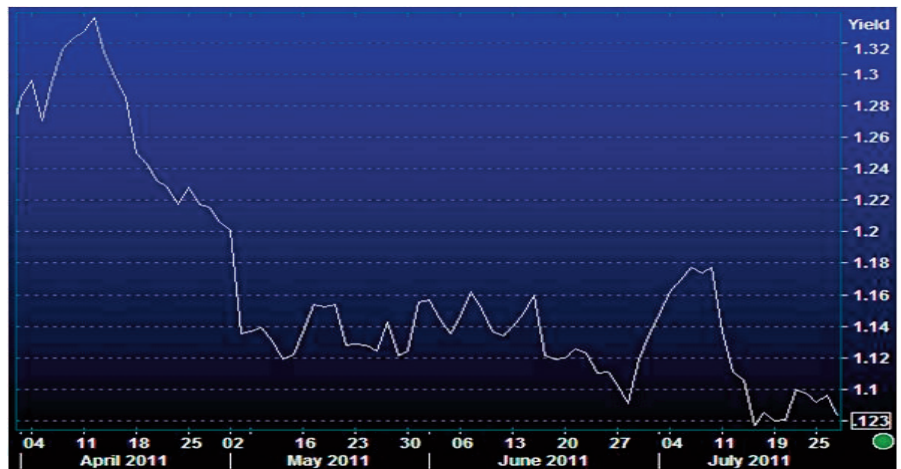
### Japanese Government Bonds

JGB prices ended the day slightly higher in the belly of the curve, while super-long JGBs moved little in thin trading.

In the super-long zone, life insurers and pension funds are expected to buy such JGBs later this week for their month-end duration adjustments. However, these moved little today.

Yen swaps dropped across the curve as JGB futures gained ground on the heels of strong overnight performance of US Treasuries. Overall trading activity, however, remained light. The five-year zone saw decent two-way flows. The super-long zone, which had fared well on Tuesday with the help of pension funds' buying of underlying 30-year JGBs, failed to lure trade flows on Wednesday morning.

### 10Y JGB BENCHMARK



Source: Available on Reuters 3000 Xtra