

Friday, 11 September 2009

**Morning Insight**

(European Edition – updated the previous European trading day at 16:00 GMT)

**Fresh in the European Pipeline**

Updated	Borrower	CCY	Notes
10-Sep	KBC Ifima	EUR	1.5bn 5yr tbp at m/s +180. Bca IMI/CS/JPM/KBC
10-Sep	CBA	USD	1.25bn g'teed frn at 3mL+28. Citi/GS. Aaa/AAA
10-Sep	CBA	USD	1.5bn g'teed 5yr fixed at m/s +28. Citi/GS.
10-Sep	Germany	USD	3yr Reg S/144a bmk mandated to BoA/ML/Citi/DB/HSBC
10-Sep	Enel	GBP	1.4bn Sep '40 at gilts +155 (from +160a) Bks 3.75bn
10-Sep	Enel	GBP	850m Aug '24 at gilts +165 (from +170a) Bks 2.75bn
10-Sep	Enel	EUR	2.5bn Sep '22 at m/s +130 (from +135a) Bks E10bn
10-Sep	Enel	EUR	1.5bn Sep '16 at m/s +95 (from +100a) Bks E12bn
10-Sep	KBC IFIMA	EUR	Guidance for 5yr bmk is m/s +180a. IMI/CS/JPM/KBC.
10-Sep	Crdt Agricole	USD	Guidance for tap of 9.75pc perp T1 is 101.5pc area.

**Most Recent Deals**

Date	Issuer	CCY	Amount	Coupon	Maturity	Spread	Mdy/S&P	Books
10-Sep	Unibail Rodam	EUR	500m	4.625	09/16	m/s +155	A3/A	GS
10-Sep	IADB	USD	1.75b	3.875	09/19	m/s +30	Aaa/AAA	JPM/MS/RBC
10-Sep	FHLB	USD	3bn	1.625	09/12	t+30	Aaa/AAA	Citi/JPM/UBS
10-Sep	Banco Pastor	EUR	1bn	3.25	03/14	m/s +75	Aaa/nr	BC/DB/Nom/Past
10-Sep	Henson Fin	USD	500m	5.5	09/19	t+210	nr/nr	JPM
10-Sep	Bancaja	EUR	796m	2.375	09/12	m/s +300	Aaa/Nr	Jt-leads
10-Sep	EIB +	PLN	75m	6.5	08/14		Aaa/AAA	TD
10-Sep	ICO +	CHF	300m	2.375	05/12		Aaa/AA+	HSBC
10-Sep	KfW +	AUD	75m	6	08/14		Aaa/AAA	RBC
10-Sep	SPAR OestWarn	EUR	200m	5	09/14	m/s +230		Bawag/Erste

Note: when applicable with the Issuer, '+' indicates increase to existing deal

**Primary Market Report (previous trading day)**
**Enel steals spotlight**

The pace of new issuance slowed on Thursday, an interest rate decision in the UK providing a momentary diversion from the primary market. There were still, however, a number of projects on the go with the corporate arena stealing the spotlight thanks to a 4-part dual currency benchmark package from **Enel**.

Joint leads Barclays, BBVA, BNP Paribas, Calyon, Deutsche Bank, RBS, Santander and SG opened books early in the day for the transaction and the deal managed to attract substantial investor demand (euro tranches around E22bn, GBP portions around GBP6.5bn). The transaction comprised a E1.5bn Sep '16 at m/s +95 (from +100 area talk), E2.5bn Sep '22 at +130 (from +135 area); a GBP850m Aug '24 at gilts +165 (from +170 area) and GBP1.4bn Sep '40 at gilts 4.75pc '38 +155 (from +160 area).

Elsewhere in the corporate space, **Spar Oesterreichische Warenhandels-AG** E200m (from min E150m) 5yr priced at m/s +230, the tight end of revised +230/+240 talk (after initial +240/+270 guidance). Books are over E550m and Bawag and Erste were in charge.

In the SSA space, **IADB** priced a USD1.75bn 10yr global at m/s +30, in line with talk. JP Morgan, Morgan Stanley and RBC led the sale. And joining the pipeline was the much rumoured 3yr USD Reg S/144a benchmark from the **Republic of Germany**. Bank of America Merrill Lynch, Citigroup, Deutsche Bank and HSBC were officially mandated and the deal is expected to emerge next week. 3yr USD paper has proved popular as of late, this week alone saw Spain, BNG and Kommuninvest all issuing bonds at this point on the curve.

Representing covered bonds was **Banco Pastor** with an E1bn 4.5yr (due Mar '14) cedulas hipotecarias courtesy of joint leads Barclays, Deutsche, Nomura and Banco Pastor.

Guaranteed paper was unveiled too, as **Bancaja** sold a E796m Spanish 3yr guaranteed note at m/s +30, inside initial +35 area set earlier by Bancaja, DZ, HSBC, Nomura and SG.

In financials, **KBC IFIMA** set terms for a E1.25bn 5yr at m/s +180, after initial talk for a benchmark in the +180 area. Banca IMI, Credit Suisse, JP Morgan, KBC and DZ (no books) were in charge here. Finally, **Unibail-Rodamco SE** raised E500m through a 7yr note at m/s +155, the tight end of +155/+160 guidance. Goldman Sachs was sole lead.


 Informa Global Market's Bondwatch data tables use end of day CDS spreads supplied by  
 CMA DataVision

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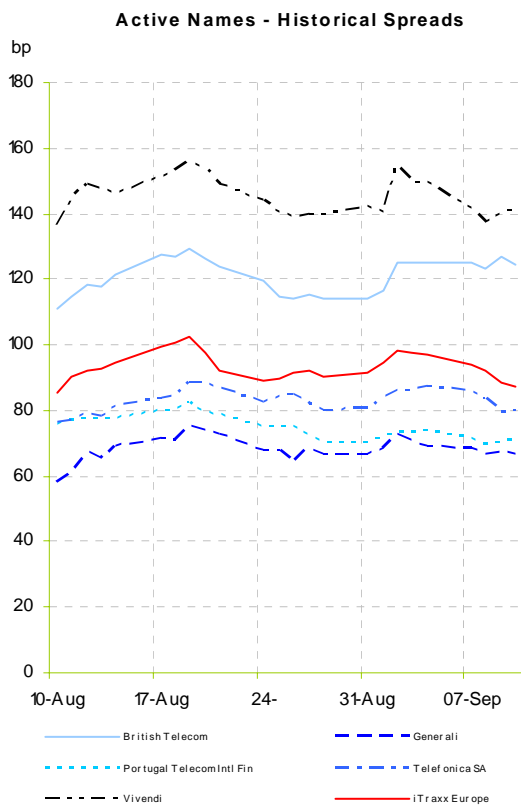
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## European CDS Roundup



Source: CDS data supplied by CMA DataVision

iTraxx Indices S11 5Y Data	Mid	D/D Change	W/W Change	M/M Change	Mean
<b>Crossover</b>	577.50	-5.00	-41.00	-24.50	725.7
<b>HiVol</b>	164.63	-2.63	-23.38	-5.25	231.9
<b>Main</b>	87.00	-1.50	-10.88	-5.50	118.5
<b>Fin Sen</b>	83.00	-2.00	-10.88	-6.88	116.0
<b>Fin Sub</b>	152.50	-7.00	-22.00	-16.25	209.5

Source: CDS data supplied by CMA DataVision

### Credit Market Report (previous trading day)

#### iTraxx indices confined to narrow ranges

**iTraxx update** - The CDS indices traded within narrow ranges on Thursday despite a fall in equities, but as there was little particularly market-relevant news. Aside from the BoE's unsurprising decision to leave rates and unconventional policy unaltered, US weekly jobless claims data was benign. Markit was also expected to post the provisional list of candidates for the Series 12 iTraxx baskets (not published at the time of writing), which roll on 21-Sep.

**Financial update** - The Irish government published its second draft bill for the creation of the NAMA bad bank. The revised form made some important concessions to appease the government's junior coalition partner the Green party, improving the prospects of the bill passing through parliament and stepping closer to the implementation of the plan. CDS on **Allied Irish Banks** (senior 249.5 -3.5; sub 659.5 -16.5) and **Bank of Ireland** (senior 233 -2.5; sub 615.5 -3.5) showed no reaction to the news, but shares in the banks rose having falling in the past two weeks amid concerns that the Greens could present the bill with a problem. The key modification is that the banks will be paid for their assets partly in subordinated bonds rather than government guaranteed bonds that could have been deposited with the ECB for cash, as per the original plan. Under the revised terms the banks will share risk because coupon payments on the subordinated bonds will be suspended should NAMA fail to recoup the full value of properties underlying the loans that Irish banks are offloading. (5Y CDS provided by CMA DataVision)

**Auto update** - Handelsblatt reported late on Wednesday that **BMW** (123 -5) is seeking closer ties with **Peugeot** (336 -17) with a plan to jointly purchase components and air-conditioning compressors. Note that Peugeot is already pursuing deeper ties with BMW on engines (they have already cooperated on 1.4 and 1.6 litre gasoline engines for smaller models), while BMW is looking into sharing its Mini car platform with Peugeot as well as sharing modules (i.e. components that can be used in different car segments) from BMW's main brand (as reported in the FT on 05-Aug). However, cooperation is expected to be limited to ties such as joint purchasing, platform sharing or module sharing. The FT reported on 03-Sep that BMW is not seeking a capital tie-up with a mass market car maker and prefers limited cooperation. Note that BMW also conducts joint purchasing with Daimler.

**Look ahead** - Overnight data from Japan (final Q2 GDP and Aug consumer confidence) and China (Aug CPI, PPI, retail sales, industrial production and trade data) may help to set the initial tone on Friday after European stock and CDS indices have had a fairly positive week. Macro data is largely second tier, though UK PPI, US wholesale inventories and prelim University of Michigan confidence provide some highlights. Note that a strong increase in UK Aug input prices is likely (+1.0% M/M expected from a prior -1.4%) given the recent pick up in the price of oil and other commodities, while output price increases (f/c +0.2% M/M) have been subdued, resulting in a further squeeze on margins. In the US, the monthly decline in wholesale inventories is expected to slow to -1.0% from a prior -1.7%, while the prelim University of Michigan confidence figure is expected to rise to 67.5 (from a prior 65.7), which is still below its recent peak of 70.8 in June.

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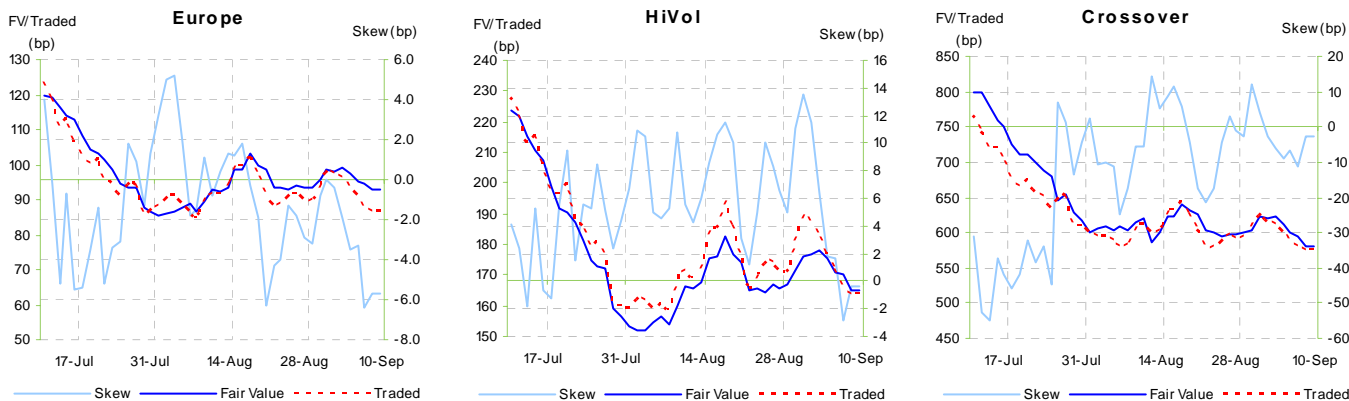
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iTraxx 5Y Fair Value & Skew Charts



Source: IGM

Active Names & Movers

Active Names	Bid	Offer	% D/D	BP D/D	BP W/W	BP M/M	Mean
British Telecom	121.9	126.8	-2.3	-2.9	-0.9	6.5	173.7
Generali	63.9	68.9	-1.3	-0.9	-4.7	0.8	98.5
Portugal Telecom Intl Fin	68.6	73.6	1.4	1.0	-2.0	-6.5	109.8
Telefonica SA	77.3	82.3	0.7	0.5	-6.5	1.4	110.3
Vivendi	139.2	144.1	0.7	1.0	-7.7	-6.1	139.6
Large Movers	Bid	Offer	% D/D	BP D/D	BP W/W	BP M/M	Mean
Hanson PLC	301.4	328.7	-16.3	-61.1	-151.5	-175.2	945.1
Unibail-Rodamco	130.2	149.7	14.0	17.2	9.0	-4.7	225.4
Continental AG	603.0	628.8	-10.5	-72.2	-138.5	-168.6	952.5
BNP Paribas (sub)	90.8	98.8	-9.6	-10.1	-14.6	-15.0	128.8
Investor AB	70.2	90.3	-9.6	-8.5	-9.8	-8.8	139.5
iTraxx	Bid	Offer	% D/D	BP D/D	BP W/W	BP M/M	Mean
iTraxx Europe 5Y	86.7	87.2	-1.7	-1.5	-10.9	-5.6	124.9

Data from trading on 10-Sep.

Source: CDS data supplied by CMA DataVision - Mean calculated from data since 01-Sep-08.

Ratings Actions

Date	Entity	Agency	Rating	Action	Comparison	Date
08-Sep	Cadbury PLC	S&P	BBB	CreditWatch Developing	MDY Baa2 stb	14-Apr
08-Sep	DnB NOR Bank	MDY	Aa3	D/gr fm Aa1, o/l stb	S&P AA- neg	30-Jan
08-Sep	Handelsbanken	MDY	Aa2	D/gr fm Aa1, o/l stb	S&P AA- stb	11-Nov
08-Sep	Nordea Bank AB	MDY	Aa2	D/gr fm Aa1, o/l stb	S&P AA- stb	29-Nov
08-Sep	Severn Trent	MDY	Baa1	D/gr fm A3, o/l stb	S&P A- CW-	28-Jul
08-Sep	Swedbank AB	MDY	A2	D/gr fm A1, o/l neg	S&P A neg	03-Oct



## Corporate Events Calendar

Date	Time	Event Information	5Y CDS Levels	
	(GMT)	Last Updated 16:05 GMT 10-Sep-09	Bid	Offer
15-Sep		Volvo AB Aug Truck deliveries	282	295
16-Sep		Next PLC Interim Earnings release	111	119
17-Sep		Kingfisher PLC Interim Earnings release	132	138
18-Sep		Fortis EGM		
18-Sep		Mediobanca SpA Q4/FY Earnings release	51	59
22-Sep		Imperial Tobacco Group Trading update	149	158
23-Sep		United Utilities PLC Trading update	43	47
24-Sep		Philips Electronics Analyst meeting	75	81
29-Sep		Compass Group PLC Q4/FY Trading update	34	39
29-Sep		France Telecom SA Shareholder meeting	36	41
30-Sep	0600	Man Group PLC Q2/H1 Trading update	193	212
30-Sep		Marks & Spencer Group PLC Q2/H1 Trading update	124	131
30-Sep		Smiths Group PLC Q4/FY Earnings release	66	76
02-Oct		Hammerson PLC Interim Trading update	234	272
05-Oct		British Airways PLC Sep Traffic update	574	599
06-Oct		Tesco PLC Interim Earnings release	90	95
07-Oct	0900	SAS AB Sep Traffic update	713	766
07-Oct		J Sainsbury PLC Q2/H1 Trading update	78	83
08-Oct		Bco Espanol de Credito Q3 Earnings release		
09-Oct		Deutsche Lufthansa AG Traffic update	200	209
12-Oct		Banca Italease SpA Shareholder meeting	203	234
12-Oct		France Telecom SA Shareholder meeting	36	41
12-Oct		Philips Electronics Q3 Earnings release	75	81
13-Oct		Investor AB Q3 Earnings release	70	90
13-Oct		Whitbread PLC Interim Earnings release		
14-Oct		Casino Guichard Perrachon Q3 Sales update	109	114
14-Oct		Diageo PLC Q4/FY AGM	67	73
14-Oct		Diageo PLC Interim Trading update	67	73
14-Oct		Experian Group Ltd Q2/H1 Trading update	33	38
14-Oct		Lafarge SA Shareholder meeting	239	248
14-Oct		Rallye SA Q3 Sales update	895	930
15-Oct		Accor SA Q3 Sales update	225	235
15-Oct		Carrefour SA Q3 Sales update	50	55
15-Oct		Nokia OYJ Q3 Earnings release	41	47
15-Oct		Roche Holding AG Q3 Earnings release	44	51
15-Oct		Suedzucker AG Q2/H1 Earnings release	96	104
20-Oct		Koninklijke Ahold NV Q3 Trading update	75	81
20-Oct		PPR Q3 Sales update	198	209
20-Oct		SKF AB Q3 Earnings release	78	97

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## Economic Calendar

Date	Time	Country	Release	Period
(GMT)				
11-Sep	0600	GER	WPI M/M	AUG
11-Sep	0600	GER	WPI Y/Y	AUG
11-Sep	0830	UK	PPI Input SA M/M	AUG
11-Sep	0830	UK	PPI Input SA Y/Y	AUG
11-Sep	0830	UK	PPI Output NSA M/M	AUG
11-Sep	0830	UK	PPI Output NSA Y/Y	AUG
11-Sep	0830	UK	PPI ex-FDT SA Y/Y	AUG
11-Sep	0830	US	Import Prices M/M	AUG
11-Sep	1230	US	Export Prices M/M	AUG
11-Sep	1400	US	Prel Mich Sentiment	SEP
11-Sep	1400	US	Wholesale Inv M/M	JUL
11-Sep	1400	US	Wholesale Sales M/M	JUL
11-Sep	1800	US	Treasury Budget USD	AUG
14-18	0930	UK	Mini-tender	

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