

Friday, 17 April 2009

**Morning Insight**

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

**Fresh in the European Pipeline**

Updated	Borrower	CCY	Notes
16-Apr	BPE	EUR	3yr g'teed via BBVA/BPE/HSBC/JPM/La Caixa/LBBW/Santan
09-Apr	Motability	GBP	Roadshow planned wk of 13-April Barc/HSBC/Lloyds/RBS
06-Apr	Croatia	EUR	BNPP/DB/Unicredit mandated for a euro. Exp May/Jun
20-Mar	TPSA	EUR	1.5bn EMTN programme established. A3/BBB+
12-Mar	Network Rail	GBP	Tap of 1.75pc Nov '27 RPI linker exp wk of 27-Apr.
09-Mar	Deutsche Bk	CCY	In discussion with BaFin over pfandbriefe license.
23-Feb	Santander	EUR	Reportedly postponed E1bn 3yr after pre-sounding
19-Feb	Investec Bk	GBP	Establishes 1.5bn UK g'teed debt issuance programme
17-Feb	Nat Bk Greece	EUR	Inaugural Greek guaranteed issue planned
16-Feb	Aareal Bank	EUR	Up to 4bn in senior unsecured backed by SoFFin

**Most Recent Deals**

Date	Issuer	CCY	Amount	Coupon	Maturity	Spread	Mdy/S&P	Books
16-Apr	BCP	EUR	1bn	5.625	04/14	m/s +295	Aa3/A	Jt-leads
16-Apr	AfDB +	USD	50m	2.75	02/11		Aaa/AAA	BNPP
16-Apr	Cajasol	EUR	1bn	3.125	04/12	m/s +93	Aaa/AA+	Jt-leads
16-Apr	Barclays Bank	EUR	1.5bn	3mE+140	10/10	3mE+145	Aa3/AA-	Barclays
16-Apr	SEK +	CHF	100m	2.625	12/15	m/s +59	Aa1/AA+	CS
16-Apr	ADB	CHF	250m	2	11/12	m/s +17	Aaa/AAA	UBS
16-Apr	SG SCF +	EUR	1bn	5	03/19	m/s +138	Aaa/AAA	LBBW/RBS/SG
16-Apr	CBA +	AUD	25m	4.375	02/14		Aaa/AAA	TD
15-Apr	IADB	USD	2.5b	3	04/14	m/s +83	Aaa/AAA	Citi/MS/RBS
15-Apr	Veolia	EUR	750m	6.75	04/19	m/s +330	A3/BBB+	Jt-leads

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

**Primary Market Report (previous trading day)**
**Financials in focus**

It was a relatively slow day in the primary market with few new developments both on the new issues and mandate front. There was a notable absence of corporate supply in Europe with only financials providing pockets of activity throughout the day.

Bank guaranteed supply was in the running from **Cajasol**. Having gone out with whispered talk of +95/+100 on Wednesday, the issuer officially opened books for its Spanish guaranteed 3yr at that level. Talk was revised tighter to +93/+95 later in the day and terms were eventually set for a E1bn 3yr at +83. Books closed at around E2bn. Bancaja, Barclays, Caja Madrid, Deutsche and DZ Bank were at the helm.

Joining the pipeline, with plans for a similar 3yr Spain guaranteed note was **Banco Popular Espanol**. The borrower mandated BBVA, BPE, HSBC, JP Morgan, La Caixa, LBBW and Santander as joint leads.

Away from guaranteed financial paper, **Barclays Bank** priced a self-led E1.5bn 18m frn at 3mE +145, the tight end of +145/+150 guidance. Elsewhere, **Societe Generale** added a further E1bn to its 5pc 27-Mar-2019 OF. The tap priced at m/s +138, inside initial +140 are guidance and books closed at around E1.3bn. The original deal launched on 18-Mar at m/s +150 and takes the new total to E2.25bn. LBBW, RBS and SG were joint leads here. And finally, **BCP** set terms on a E1bn senior 5yr offering at mid-swaps +295, versus m/s +300 area talk. BNPP, HSBC, JPM, BCP and UBS teamed up on the top line for the Aa3/A/A+ credit.


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

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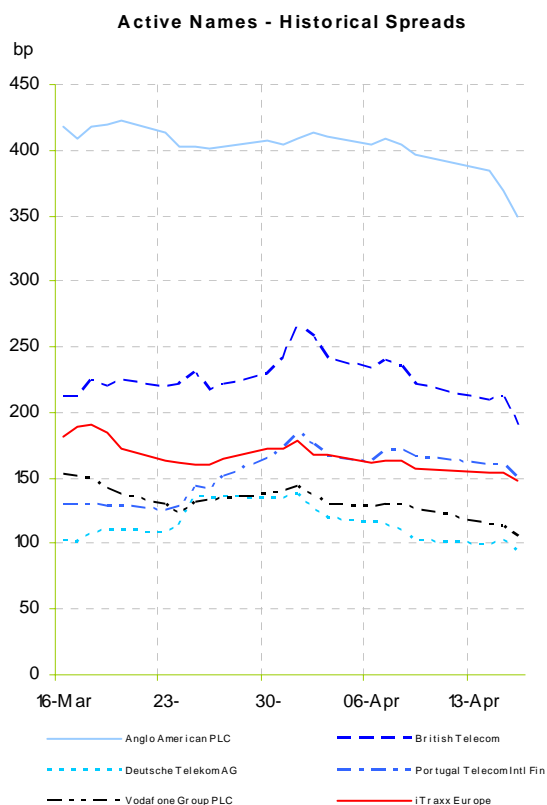
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## European CDS Roundup



Source: CDS data supplied by CMA DataVision

iTraxx Europe 5Y - Series 11	Bid	Offer	Daily Change	Weekly Change	Monthly Change
<b>Crossover</b>	826.00	832.00	-24.00	-48.00	-
<b>Hi Vol</b>	283.00	290.00	-19.50	-27.75	-
<b>Europe</b>	147.00	148.00	-5.25	-9.25	-
<b>Financial Sen</b>	144.00	146.00	-8.00	-13.00	-
<b>Financial Sub</b>	245.00	248.00	-8.00	-21.00	-
<b>Europe 3Y</b>	163.00	168.00	-3.00	-9.50	-
<b>Hi Vol 3Y</b>	327.00	333.00	-23.00	-32.25	-
<b>Europe 7Y</b>	133.00	135.50	-6.00	-11.00	-
<b>Hi Vol 7Y</b>	252.00	258.00	-23.00	-29.75	-

Source: IGM

### Credit Market Report (previous trading day)

#### JPMorgan results fuel rally

The CDS indices stepped tighter at the start of the day amid growing hopes that the worst may be over. US shares ended the previous session with a sharp rally after the Fed's Beige Book suggested the US economy continued to weaken, but at a slowing pace. The most significant tightening of the day, however, occurred after JPMorgan added to the list of US banks posting expectation-beating Q1 results as it posted net income of USD 2.1bln. The European equity and CDS indices rallied, pushing **Main** to mid 140s before a partial retracement to 147.25/148.25. **Crossover** moved to 826/832 (-23bp D/D). All eyes will now be on Citi's results due on Friday at 10:30 GMT.

Finnish phone company **Nokia** reported Q1 results in the **TMT** sector with sales below expectations at EUR 9.3bln and net income also below consensus at EUR 122mln, down 90% Y/Y. The company said that the demand picture is becoming more predictable in Q2 and that it expects its market share to be stable. Nokia 5Y CDS moved in line with the market to 80/90 (-5bp D/D). Meanwhile, 5Y CDS on **Bertelsmann** also moved tighter to 260/290 (-20bp). Traders commented that the move was also driven by the wider market, though higher beta names were coming in relatively more due to a lack of protection buyers. Note that Bertelsmann's RTL unit said that it does not have any major acquisition targets and that it has a significant cash position even after a dividend payment.

In **Energy** names, 5Y CDS on **Gas Natural** was quoted tighter D/D at 300/325 (-25bp) alongside an announcement that the company had successfully acquired a 95% stake in Union Fenosa. Note that Gas Natural is not obliged to bid for the remaining 5% due to equity swap agreements that keep it from reaching the required threshold.

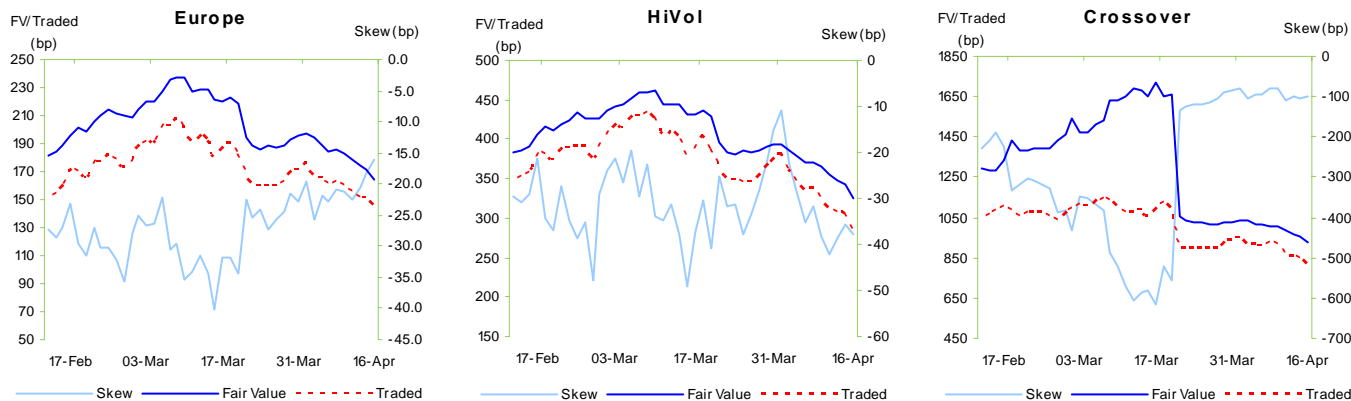
In the **Industrial** sector, corporate results continued with Q1 sales figures from **Roche**, which reported top-line growth in local currencies of 8% Y/Y - in line with estimates. The company also said that it is confident of meeting its full year targets. Roche's share price rose almost 2% and 5Y CDS crept 1bp tighter to 139/149.

**Danone** also posted broadly in-line Q1 sales and confirmed its FY target in the **Consumer** arena. Danone's sales fell 2.3% Y/Y but were up 1% on a like-for-like basis and the company still expects underlying fully-diluted EPS growth at constant currencies of 10% in 2009. 5Y CDS on Danone showed little reaction at 92/102 (-1bp D/D).

In the **Crossover** sector, **UPC Holding** launched an offer to exchange EUR 200mln of 7.75% and 8.625% bonds due in 2014 for new notes due Apr-18 plus a cash payment and accrued interest. Traders noted that UPC Holding's CDS is very illiquid, but quoted the contract around 20bp tighter D/D at 560/580.



**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
Anglo American PLC	337.2	362.3	-5.4	-19.9	-46.3	-69.2	499.2
British Telecom	186.1	196.1	-10.0	-21.3	-29.4	-28.9	176.4
Deutsche Telekom AG	90.2	96.8	-8.3	-8.5	-9.0	-15.9	126.4
Portugal Telecom Intl Fin	142.4	152.4	-7.7	-12.3	-19.2	19.0	151.9
Vodafone Group PLC	101.0	111.0	-6.0	-6.8	-21.2	-35.7	163.3
Large Movers	Bid	Offer	% D/D	BP D/D	BP W/W	BP M/M	Mean
Bank of Ireland	598.2	687.9	36.5	171.8	194.9	9.7	349.7
Union Fenosa SA	213.8	236.3	-20.3	-57.1	-68.7	-14.5	152.8
Standard Life Bank (sub)	478.3	521.7	-18.4	-112.5	-150.0	-351.6	553.5
Gas Natural SDG SA	272.5	292.5	-16.5	-55.9	-75.9	-68.3	280.1
M-real OYJ	2685.3	2822.7	-15.9	-521.8	-867.9	-2189.9	3560.5
iTraxx	Bid	Offer	% D/D	BP D/D	BP W/W	BP M/M	Mean
iTraxx Europe 5Y	147.4	148.4	-3.7	-5.7	-8.7	-36.3	170.1

Data from trading on 16-Apr.

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

**Ratings Actions**

Date	Entity	Agency	Rating	Action	Comparison	Date
14-Apr	Abbey National	MDY	Aa3	Review for Downgrade	S&P AA neg	04-Mar
14-Apr	Alliance & Leic	MDY	Aa3	Review for Downgrade	S&P AA neg	04-Mar
14-Apr	Britannia B/S	MDY	A2	Review for Downgrade	S&P A- CW-	21-Jan
14-Apr	Chelsea B/S	MDY	Baa3	D/gr fm A2, o/l stb	S&P NR	
14-Apr	Ciba Holding	S&P	A+	U/gr fm BBB-, o/l neg	MDY Baa2 RD	07-May
14-Apr	Coventry B/S	MDY	A3	D/gr fm A2, o/l neg	S&P NR	
14-Apr	Leeds Bld Soc	MDY	A2	Affmd, o/l remains stb	S&P NR	
14-Apr	Nationwide B/S	MDY	Aa3	D/gr fm Aa2, o/l stb	S&P A+ neg	13-Mar
14-Apr	Principality BS	MDY	Baa2	D/gr fm A3, o/l neg	S&P NR	
14-Apr	Skipton B/S	MDY	Baa1	D/gr fm A2, o/l neg	S&P NR	
14-Apr	Societe General	MDY	Aa2	Affmd, o/l neg fm stb	S&P AA- neg	15-Feb
14-Apr	Std Life Bank	MDY	A2	Review for Downgrade	S&P A- stb	24-Jan
14-Apr	Yorkshire B/S	MDY	Baa1	D/gr fm A2, o/l neg	S&P A neg	19-Jun



## Corporate Events Calendar

Date	Time (GMT)	Event Information	5Y CDS Levels	
			Bid	Offer
		Last Updated 16:06 GMT 16-Apr-09		
17-Apr	0730	Societe TF1 Q4/FY AGM		
17-Apr	1030	Citigroup Q1 Earnings release		
17-Apr	1230	Citigroup Q1 Conference call		
17-Apr	1230	General Electric Co Q1 Conference call		
17-Apr	1300	Sanofi-Aventis SA Q4/FY AGM	86	93
17-Apr		General Electric Co Q1 Earnings release		
17-Apr		Swiss Reinsurance Shareholder meeting	493	524
20-Apr	0800	Henkel KGaA Q4/FY AGM	84	89
20-Apr	0830	Pirelli & C SpA EGM		
20-Apr	1330	Bank of America Corp Q1 Conference call		
20-Apr		Anglo American PLC Q1 Trading update	337	362
20-Apr		Bank of America Corp Q1 Earnings release		
20-Apr		Pirelli & C SpA Q4/FY AGM		
21-Apr	0800	Assicurazioni Generali AGM	125	135
21-Apr	0800	Deutsche Post AG Q4/FY AGM	68	78
21-Apr	0800	Syngenta AG Shareholder meeting	86	94
21-Apr	0800	Tesco PLC Q4/FY Conference call	104	113
21-Apr	0830	Pirelli & C SpA EGM		
21-Apr	0900	Syngenta AG Q4/FY AGM	86	94
21-Apr	1000	SKF AB Q1 Earnings release	218	247
21-Apr	1000	Wolters Kluwer NV Q4/FY AGM	71	77
21-Apr	1100	SKF AB Q1 Conference call	218	247
21-Apr	1300	Citigroup Q4/FY AGM		
21-Apr	1330	SKF AB Q4/FY AGM	218	247
21-Apr	1500	Reed Elsevier PLC Shareholder meeting	80	90
21-Apr	1600	DnB NOR ASA Q4/FY AGM	155	175
21-Apr		Iberdrola SA Q1 Conference call	129	139
21-Apr		Pirelli & C SpA Q4/FY AGM		
21-Apr		PPR Q1 Sales update	349	374
21-Apr		Tesco PLC Q4/FY Earnings release	104	113
22-Apr	0500	Heineken NV Q1 Earnings release	171	201
22-Apr	0630	Nestle SA Q1 Sales update	72	81
22-Apr	0730	Munich Re Q4/FY AGM	60	68
22-Apr	0800	Aegon NV Q4/FY AGM	355	378
22-Apr	0800	Deutsche Postbank AG Q4/FY AGM		
22-Apr	0800	Munich Re Shareholder meeting	60	68
22-Apr	0800	RWE AG Q4/FY AGM	71	78
22-Apr	0830	Reed Elsevier NV Q4/FY AGM	80	90
22-Apr	0900	Atlantia SpA Q4/FY AGM	150	170

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## Economic Calendar

Date	Time (GMT)	Country	Release	Period
17-Apr		US	General Electric Rpts	Q1
17-Apr	0000	US	Fed's Yellen Speaks	
17-Apr	0900	EMU	Trade Bal Eurostat EUR	FEB
17-Apr	1030	US	Citigroup Reports	Q1
17-Apr	1400	US	Prel Mich Sentiment	APR

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