

Friday, 01 May 2009

Morning Insight

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

Fresh in the European Pipeline

| Updated | Borrower | CCY | Notes |
|---------|--------------|-----|---|
| 30-Apr | CAM | EUR | 3yr Spain g'teed issue via BNPP/CMad/Caly/CS/DZ/BoAML |
| 29-Apr | Groupmnt CHU | EUR | Inaugural 10yr mandated to Calyon/Natixis. Aaa. |
| 28-Apr | PPR | EUR | 5yr retail targeted issue mandated to Fortis. |
| 28-Apr | BSTDB | USD | Debut senior 3yr mandated to DB/MS. Baa1. Reg S only. |
| 27-Apr | Slovakia | EUR | Mandated to HSBC/SG. Planned for Q2. |
| 06-Apr | Croatia | EUR | BNPP/DB/Unicredit mandated for a euro. Exp May/June |
| 20-Mar | TPSA | EUR | 1.5bn EMTN programme established. A3/BBB+ |
| 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 |

Most Recent Deals

| Date | Issuer | CCY | Amount | Coupon | Maturity | Spread | Mdy/S&P | Books |
|--------|--------------|-----|--------|---------|----------|----------|---------|----------------|
| 30-Apr | France Tel | GBP | 750m | 5 | 05/16 | g+215 | A3/A- | Jt-leads |
| 30-Apr | CRH + | EUR | 250m | 4.5 | 10/17 | | Aaa | Calyon/SG |
| 30-Apr | Andalucia + | EUR | 605m | 4.75 | 01/18 | m/s +245 | Aa2/AA | Jt-leads |
| 30-Apr | CGD | EUR | 1bn | 4.375 | 05/13 | m/s +200 | Aa1/A+ | Jt-leads |
| 30-Apr | Bancaja | EUR | 1.5bn | 3 | 05/12 | m/s +88 | Aaa/AA+ | Jt-leads |
| 30-Apr | Bk Ireland + | EUR | 1bn | 3.75 | 09/10 | m/s +185 | Aaa/AA+ | BNPP/DB/MS |
| 30-Apr | EIB + | CHF | 150m | 2 | 04/14 | | Aaa/AAA | CS |
| 30-Apr | KfW + | AUD | 50m | 4.5 | 03/13 | | Aaa/AAA | TD |
| 30-Apr | MuniFin + | CHF | 100m | 2.375 | 03/16 | | Aaa/AAA | ABN/RBS |
| 30-Apr | BP Cap Mkts | USD | 750m | 2.375 | 12/11 | m/s +70 | Aa1/AA | CS/MS |
| 30-Apr | CoE | GBP | 300m | 3.375 | 05/14 | m/s +20 | Aaa/AAA | RBC |
| 30-Apr | EIB | NOK | 1.5bn | 4 | 05/14 | | Aaa/AAA | DNBNor/RBC |
| 30-Apr | NRW + | EUR | 100m | 3.5 | 03/13 | | Aa1/AA- | HSBC/UBS/WstLB |
| 30-Apr | Mediobanca + | USD | 100m | 3mL+130 | 03/11 | | AA- | Mediobanca |

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

Primary Market Report (previous trading day)
Wind down begins

The wind down ahead of the extended weekend began on Thursday and as a result issuance in the primary market slowed. Following 2 days of relentless activity, there were only a handful of deals doing the rounds.

The anticipated Spanish guaranteed 3yr from **Bancaja** emerged on screens and terms were set for a E1.5bn note at m/s +88. To recap, joint leads Barclays, Caja Madrid, Deutsche, Goldman Sachs, JP Morgan and La Caixa opened books on Wednesday for a benchmark at +90 area. Books closed in excess of E2.5bn. The **Bank of Ireland**, meanwhile, added a further E1bn to its 3.75pc Ireland guaranteed note due 3-September-2010. The tap priced at m/s +185 and takes the new total to E3.1bn. BNP Paribas, Deutsche Bank and Morgan Stanley were joint books. Elsewhere, joining the pipeline was another Spanish name - **Caja de Ahorros del Mediterraneo** - with plans for a euro Spain guaranteed 3yr note. BNP Paribas, Caja Madrid, Calyon, Credit Suisse, DZ Bank and Bank of America Merrill Lynch were mandated as joint leads.

Away from bank guaranteed paper, **Caixa Geral de Depositos** priced a E1bn senior 4yr at m/s +200, from +200 area talk. Calyon, Caixa BI, DZ, JP Morgan and Societe Generale were at the helm.

Two corporate benchmarks featured in the day, one from BP Capital Markets and the other from France Telecom. **BP Capital Markets** brought to market a USD750m long 2yr eurodollar (due 14-Dec-2011) at m/s +70. Initial talk was +70/+75. Credit Suisse and Morgan Stanley led the sale. Finally, **France Telecom** issued a GBP750m 7yr at gilts +215. The deal priced inside initial guidance of gilts +220/+225. Barclays, Bank of America Merrill Lynch and RBS were in charge of the sale.



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


BLOOMBERG: IIBW
www.informagm.com
REUTERS: WATCH

 London
 +44 20 7017 5402

 New York
 +1 212 907 5802

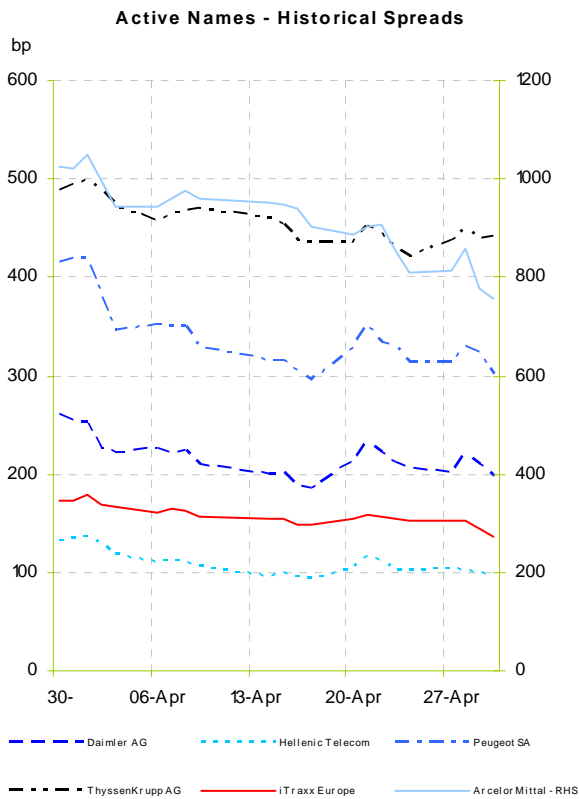
 Tokyo
 +81 3 5210 2468

 Hong Kong
 +852 2234 2000

 Singapore
 +65 6226 3068



European CDS Roundup



Source: CDS data supplied by CMA DataVision

| iTraxx Europe 5Y - Series 11 | Bid | Offer | Daily Change | Weekly Change | Monthly Change |
|------------------------------|--------|--------|--------------|---------------|----------------|
| Crossover | 806.00 | 812.00 | -14.00 | -46.00 | -137.00 |
| Hi Vol | 268.25 | 275.25 | -10.75 | -20.25 | -106.25 |
| Europe | 137.00 | 138.00 | -7.75 | -16.75 | -35.00 |
| Financial Sen | 143.00 | 145.00 | -5.00 | -10.25 | -33.25 |
| Financial Sub | 257.50 | 260.50 | -2.50 | -9.75 | -79.75 |
| Europe 3Y | 146.00 | 151.00 | -8.50 | -25.00 | -39.25 |
| Hi Vol 3Y | 300.00 | 306.00 | -15.00 | -29.50 | -123.00 |
| Europe 7Y | 125.25 | 127.75 | -8.25 | -16.00 | -100.00 |
| Hi Vol 7Y | 242.00 | 248.00 | -11.00 | -15.50 | -34.25 |

Source: IGM

Credit Market Report (previous trading day)

DSG funding measures reassure

Equities jumped higher again, as the rally gathered more and more momentum, sweeping bad news to the side. The CDS markets continued to capitulate such that Main even pushed into the high 130s. The threat of swine flu, news of Chrysler's bankruptcy, the looming announcement of the US stress tests and recent weak data had no impact as investors scrambled so as to avoid missing out on the rally. In fact, markets were seeing the silver lining of news such as Wednesday's weak US GDP, putting the contraction down to destocking which should be followed by fresh orders to meet demand for goods. Also helping the mood were corporate earnings, which flooded in and revealed a number of companies performing better than expected. In the afternoon, **Main** was at 139/140 (-5.75bp D/D) and **Crossover** was at 812/818 (-8bp D/D).

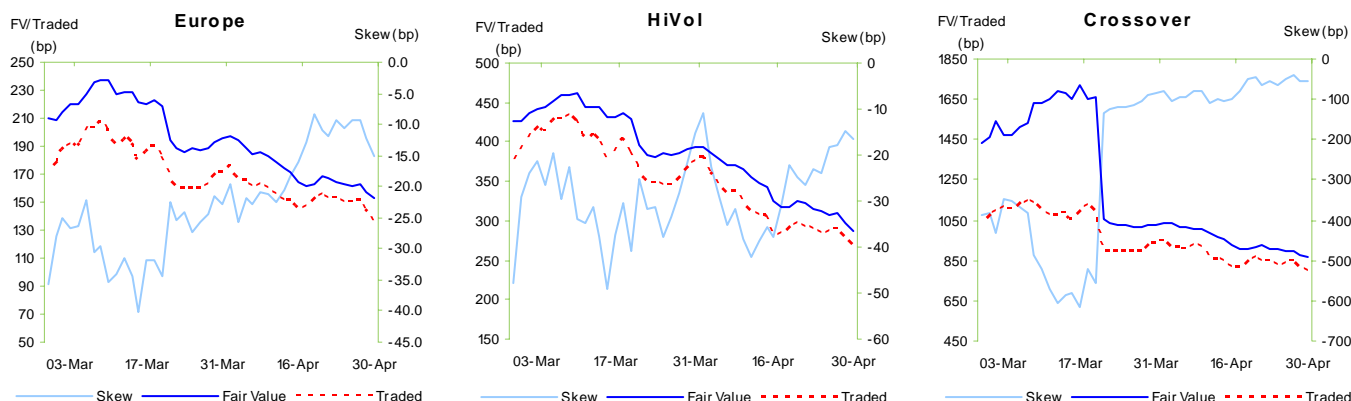
In the **Crossover** sector, 5Y CDS on **DSG International** moved significantly tighter D/D after the company said that it will raise gross proceeds of GBP 310.6m in a placing and rights issue, and that it has also renegotiated a GBP 400m revolving credit facility and GBP 75m letters of credit. DSG also said that H2 group sterling revenue was down 3% Y/Y alongside an 11% fall in like-for-like growth. Contacts said that 5Y CDS on DSG traded at 3.5% upfront early in the session, but moved to a running quote thereafter and was seen at 500/600 (-85bp D/D) towards the close.

In **TMT**, UK broadcaster **BSkyB** reported better than expected Q3 results with 9-month adjusted operating profit in line with expectations at GBP 589m (up 13%). The company also reported strong customer growth with 80,000 net additions in Q3 compared to a Reuters poll of 52,000 additions. Note also that net debt was broadly stable Q/Q at EUR 1.67bn. Contacts noted that 5Y CDS on BSKyB does not really trade much, but the contract was indicated 3bp tighter at 67/74. Swedish phone company **Ericsson** also reported Q1 results, which were mixed in terms of expectations. The company reported Q1 operating profit slightly below expectations at SEK 1.78bn (down 49.1% Y/Y), though net income was ahead of consensus at SEK 1.72bn (down 35.1%). Note also that operating cash flow was negative SEK 2.86bn compared to positive SEK 4.73bn a year ago. Nonetheless, 5Y CDS moved tighter with the market to 142/162 (-5bp). Elsewhere, 5Y CDS on **France Telecom** was 1bp tighter at 63/69 as the company came to market with a 7Y GBP benchmark at gilts 4% 2016 +220/+225. This follows Q1 results reported on Wednesday that revealed disappointing EBITDA figures. Earnings in the **Industrial** sector included results from **BASF**, among a flurry of others. 5Y CDS on the German chemical company moved 4.5bp tighter to 100/110 after Q1 profits beat expectations.

Meanwhile, in the **Consumer** arena, **Cadbury** said that revenue grew 2% at constant currencies in Q1. It also said that it would use the proceeds from the disposal of its Australia Beverages unit to redeem its last remaining EUR-denominated bond, the EUR 600m CBRYLN 4.25 06/09. 5Y CDS was unchanged though, sticking at its already very tight level of 45/55.



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 |
|----------------------------|-------|-------|-------|--------|--------|--------|--------|
| ArcelorMittal | 743.0 | 770.5 | -2.4 | -18.7 | -97.4 | -241.8 | 1075.9 |
| Daimler AG | 190.6 | 206.0 | -4.9 | -10.3 | -12.7 | -27.2 | 326.4 |
| Hellenic Telecom | 91.6 | 101.6 | -3.6 | -3.6 | -5.5 | -32.2 | 137.3 |
| Peugeot SA | 291.6 | 311.6 | -6.6 | -21.3 | -26.9 | -77.9 | 395.8 |
| ThyssenKrupp AG | 430.3 | 451.9 | 0.2 | 1.1 | 11.9 | -47.3 | 431.4 |
| Large Movers | Bid | Offer | % D/D | BP D/D | BP W/W | BP M/M | Mean |
| DSG International PLC | 530.0 | 580.0 | -12.8 | -81.5 | -215.3 | -392.2 | 1212.3 |
| Cie de Saint-Gobain | 188.2 | 208.2 | -12.3 | -27.9 | -49.6 | -120.2 | 361.8 |
| Banco BPI SA | 119.8 | 127.8 | -12.1 | -17.1 | -8.8 | -17.4 | 112.3 |
| Mediobanca SpA | 96.7 | 110.0 | -11.5 | -13.5 | -11.9 | -40.6 | 138.0 |
| Alliance & Leicester (sub) | 243.6 | 256.4 | 11.1 | 25.0 | -10.3 | -47.9 | 188.1 |
| iTraxx | Bid | Offer | % D/D | BP D/D | BP W/W | BP M/M | Mean |
| iTraxx Europe 5Y | 136.8 | 137.8 | -5.3 | -7.7 | -17.1 | -31.3 | 169.8 |

Data from trading on 30-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 |
|--------|----------------|--------|--------|-----------------------|--------------|--------|
| 30-Apr | Linde AG | S&P | BBB+ | Affmd, o/l pos fm stb | MDY Baa1 stb | 04-Apr |
| 30-Apr | Metro AG | S&P | BBB | D/gr fm BBB+, o/l stb | MDY Baa2 neg | 14-Nov |
| 30-Apr | Rhodia SA | S&P | BB- | D/gr fm BB, o/l stb | MDY B1 stb | 16-Dec |
| 30-Apr | Volvo AB | MDY | Baa1 | O/l negative fm stb | S&P BBB+ neg | 29-Apr |
| 29-Apr | ArcelorMittal | S&P | BBB+ | CreditWatch negative | MDY Baa2 RD | 07-Apr |
| 29-Apr | Truvo Sub Corp | MDY | Caa2 | D/gr fm B3, o/l neg | S&P B- neg | 28-Nov |
| 29-Apr | Volvo AB | S&P | BBB+ | D/gr fm A-, o/l neg | MDY Baa1 stb | 13-Feb |



Corporate Events Calendar

| Date | Time (GMT) | Event Information | 5Y CDS Levels | |
|--------|---------------|--|---------------|-------|
| | | | Bid | Offer |
| | | Last Updated 16:04 GMT 30-Apr-09 | | |
| 01-May | 0600 | Colt Telecom Group SA Q1 Earnings release | 180 | 220 |
| 01-May | 0800 | Colt Telecom Group SA Q1 Conference call | 180 | 220 |
| 01-May | 0800 | Rentokil Initial PLC Q1 Trading update | 272 | 317 |
| 01-May | 1100 | Pearson PLC Q4/FY AGM | 55 | 65 |
| 01-May | 1350 | BNP Paribas Board meeting | 86 | 94 |
| 01-May | 1500 | Chevron Corp Q1 Conference call | | |
| 01-May | 1700 | Ford Motor Co Apr Sales update | | |
| 01-May | 1800 | General Motors Corp Apr Sales update | | |
| 01-May | | Chevron Corp Q1 Earnings release | | |
| 01-May | | Japan Tobacco Inc Q4/FY Conference call | | |
| 04-May | 0600 | TNT NV Q1 Earnings release | 89 | 103 |
| 04-May | 1200 | TNT NV Q1 Conference call | 89 | 103 |
| 04-May | 1230 | GDF Suez Q4/FY AGM | 52 | 57 |
| 04-May | | GDF Suez Q1 Sales update | 52 | 57 |
| 05-May | 0500 | Telenor ASA Q1 Earnings release | 146 | 157 |
| 05-May | 0515 | Metro AG Q1 Earnings release | 213 | 232 |
| 05-May | 0530 | Deutsche Postbank AG Q1 Earnings release | | |
| 05-May | 0530 | Hannover Re Q1 Earnings release | 88 | 98 |
| 05-May | 0615 | Metro AG Q1 Conference call | 213 | 232 |
| 05-May | 0700 | Telenor ASA Q1 Conference call | 146 | 157 |
| 05-May | 0700 | Virgin Media Inc Q1 Earnings release | 580 | 600 |
| 05-May | 0800 | Swiss Life Holding Q1 Conference call | | |
| 05-May | 0830 | Hannover Re Q4/FY AGM | 88 | 98 |
| 05-May | 0900 | Xstrata PLC Q4/FY AGM | 537 | 563 |
| 05-May | 1100 | Alcatel-Lucent Q1 Conference call | 804 | 871 |
| 05-May | 1100 | Kraft Foods Inc Q1 Earnings release | | |
| 05-May | 1200 | Kraft Foods Inc Q1 Conference call | | |
| 05-May | 1200 | Virgin Media Inc Q1 Conference call | 580 | 600 |
| 05-May | 1230 | Danske Bank A/S Q1 Conference call | 153 | 163 |
| 05-May | 1300 | Philip Morris Q4/FY AGM | | |
| 05-May | 1300 | UBS AG Q1 Conference call | 181 | 189 |
| 05-May | 1330 | Telecom Italia SpA Q1 Conference call | 156 | 166 |
| 05-May | 1430 | Hannover Re Q1 Conference call | 88 | 98 |
| 05-May | 1500 | Norsk Hydro ASA Q4/FY AGM | | |
| 05-May | 1600 | Banco Espirito Santo SA Q1 Conference call | 134 | 141 |
| 05-May | 2001 | Walt Disney Co/The Q2/H1 Earnings release | | |
| 05-May | 2030 | Walt Disney Co/The Q2/H1 Conference call | | |
| 05-May | | ABB Ltd Q4/FY AGM | 89 | 99 |
| 05-May | | Adidas AG Q1 Earnings release | | |

Source: CDS data supplied by CMA DataVision.

BLOOMBERG: IIBW

www.informagm.com

REUTERS: WATCH

London
+44 20 7017 5402

New York
+1 212 907 5802

Tokyo
+81 3 5210 2468

Hong Kong
+852 2234 2000

Singapore
+65 6226 3068



Economic Calendar

| Date | Time | Country | Release | Period |
|--------|------|---------|------------------------|--------|
| (GMT) | | | | |
| 01-08 | 0800 | UK | Halifax Prices SA M/M | APR |
| 01-08 | 0800 | UK | Halifax Prices 3M Y/Y | APR |
| 01-May | | EMU | Labour Day Holiday | |
| 01-May | | US | MasterCard Reports | Q1 |
| 01-May | 0830 | UK | CIPS Manuf Survey | APR |
| 01-May | 0830 | UK | Mtg Lending BoE GBP | MAR |
| 01-May | 0830 | UK | Mortgage Approvals BoE | MAR |
| 01-May | 0830 | UK | Final M4 M/M | MAR |
| 01-May | 0830 | UK | Final M4 Y/Y | MAR |
| 01-May | 0830 | UK | Consumer Credit GBP | MAR |
| 01-May | 0830 | UK | Fin M4 Stg Lend GBP | MAR |
| 01-May | 1230 | US | Factory Gds Orders M/M | MAR |
| 01-May | 1230 | US | Factory Invent M/M | MAR |
| 01-May | 1400 | US | ISM (Manufacturing) | APR |
| 01-May | 1400 | US | Final Mich Sentiment | APR |
| 04-05 | 0600 | GER | Retail Sales SA M/M | MAR |
| 04-05 | 0600 | GER | Retail Sales NSA Y/Y | MAR |

Disclaimer:

Informa Global Markets obtains information for its analysis from sources it considers reliable, but does not guarantee the accuracy or completeness of its analysis or any information contained therein. Informa Global Markets and its affiliates make no representation or warranty, either express or implied, with respect to the information or analysis supplied herein, including without limitation the implied warranties of fitness for a particular purpose and merchantability, and each specifically disclaims any such warranty. In no event shall Informa Global Markets or its affiliates be liable to clients for any decision made or action taken by the client in reliance upon the information or analyses contained herein, for delays or interruptions in delivery for any reason, or loss of business revenues, lost profits or any indirect, consequential, special or incidental damages, whether in contract, tort or otherwise, even if advised of the possibility of such damages. This material is intended solely for the private use of Informa Global Markets clients, and any unauthorised use, duplication or disclosure is prohibited. This material is not a comprehensive evaluation of the industry, the companies or the securities mentioned, and does not constitute an offer or a solicitation of an offer or a recommendation to buy or sell securities. All expressions of opinion are subject to change without notice.

Bondwatch is *the* one-stop location for real-time analysis of the European investment grade sector, delivering prompt and independent commentary on new issues and market rumours, alongside in-depth CDS and secondary market coverage. Easy-to-navigate pipelines, viewpoints and priced deal information are accompanied by news and analysis of single-name CDS, secondary bonds, indices and standardised basket structures. For more information please contact European Sales - Phone +44 207 017 5402 - Email sales@informagm.com

BLOOMBERG: IIBW

www.informagm.com

REUTERS: WATCH

London
+44 20 7017 5402

New York
+1 212 907 5802

Tokyo
+81 3 5210 2468

Hong Kong
+852 2234 2000

Singapore
+65 6226 3068