Bondwatch Morning Insight

informa global markets

Friday, 30 April 2010

Morning Insight

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

Fresh in the European Pipeline

Updated	Borrower	CCY	Notes
29-Apr	DSTA	EUR	30yr DSL (Jan '42) via DDA on 18-May. Aaa/AAA/AAA
28-Apr	Casino	EUR	8.5y spread indication withdrawn; to be released 4/5
27-Apr	Groupe SEB	EUR	Inaugural to follow r/show. BNPP/CA/Natixis/SG
26-Apr	Porterbrook	GBP	Inaugural via Barclays/BNPP/Lloyds TSB. BBB
22-Apr	BasqueCountry	EUR	BBVA, HSBC, Santander & SG mandated. Aaa/AAA/AAA.
22-Apr	Sydbank A/S	CCY	Investor meetings via BNPP/Commz/Danske. A1 (stable)
22-Apr	CDP	EUR	Jun '13 euro frn via Conduit CM. Aa2/A+/AA-
14-Apr	Nat Express	EUR	BayernLB/BBVA/BNPP/HSBC mandated. To follow a r/show
07-Apr	FirstRand Bk	CCY	Asia & Europe FI r/show w/c 12th. JPM/MUFJ/SC/UBS
31-Mar	UK	GGB	30yr-40yr linker in late May; long conv gilt in June

Most Recent Deals

Date	Issuer	CCY	Amount	Coupon	Maturity	Spread	Mdy/S&P	Books
29-Apr	KfW +	BRL	50m	9.25	10/12		Aaa/AAA	RBC
29-Apr	Anglian Water	GBP	130m	2.262	08/45	UKTi+155	A3/A-	Barclays
29-Apr	CBA +	AUD	50m	6.5	08/13		Aa1/AA	Daiwa
29-Apr	EIB +	TRY	50m	10	01/14		Aaa/AAA	RBC
29-Apr	EBRD +	BRL	50m	9.25	09/12		Aaa/AAA	JPM
28-Apr	EIB +	PLN	50m	6.5	08/14		Aaa/AAA	JPM/TD
28-Apr	EBN	CHF	325m	2.125	04/20		Aaa/AAA	UBS/DB/RBS
28-Apr	Brandenburg	CHF	150m	1.25	05/14		Aa1/nr	CS
28-Apr	KfW +	NZD	50m	5.125	07/13		Aaa/AAA	TD
28-Apr	Pfandbriefbk+	CHF	255m	1.5	02/15		Aaa/nr	CS

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

Primary Market Report *(previous trading day)*

All quiet on the syndicated front

Thursday was all quiet on the syndicated front (with apologies to Erich Maria Remarque), primary once again very slow as a result of the volatility in peripheral eurozone sovereigns. More ratings downgrades won't help confidence much either, although this time it was the turn of Greek covered bonds to come under fire. Moody's cutting to A1 the mortgage backed bonds of **National Bank of Greece**, **Alpha Bank**, **EFG Eurobank** (first covered programme) and **Marfin Egnatia Bank**, and EFG Eurobank Ergasias (second covered prog) to A2 - and all have been placed on review for further downgrade.

There was some new action however, albeit not in benchmark size. **Anglian Water Services Financing** pricing a Class A GBP130 RPI linked Aug '45 at UKTi 0.75pc 2047 +155 with Barclays (books) and HSBC at the helm. For the remainder, it was just a number of increases to second tier/exotic currency issues: **IBRD** for example adding BRL50m to an outstanding BRL650m 9.25pc Sep '12 via JPM; KfW increasing a BRL650m 9.25pc Oct '12 by BRL 50m through RBC; and **EIB** topping up a TRY125m 10pc Jan '14 by a further TRY50m with RBC at the helm. **Commonwealth Bank of Australia** came too, a AUD50m increase to a AUD300m 6.5pc Aug '13 pricing via Daiwa.

There are two investor roadshows to be aware of in the next few days. **Porterbrook Rail Finance** will kick off a series of 1on1s on Friday in Scotland, moving on to London on 4th and 5th May. Porterbrook mandated Barclays, BNPP and Lloyds TSB earlier this week for an inaugural issue. The UK based train rolling stock leasing group is expected to be rated BBB by S&P. **Groupe SEB** begins meeting accounts in Paris on the 3rd, ahead of an inaugural euro transaction which will be led by BNPP, Credit Agricole Natixis and SG. As a reminder, Groupe SEB is a manufacturer of small household equipment (its brand range includes Tefal, Rowenta, Krups and Moulinex). The borrower is unrated.

And finally, the **Dutch State Treasury Agency** has announced that the 18-May will be the launch date of a new 30yr DSL (due 15-Jan-2045). The deal will be launched via a Dutch Direct Auction using the DBR 4.75pc Jul '40 as the reference bond. Further details (minimum size, coupon, and guidance) will be released later. Subsequent reopenings will raise the outstanding amount of this bond to at least E10bn before the end of 2011, according to a press release.

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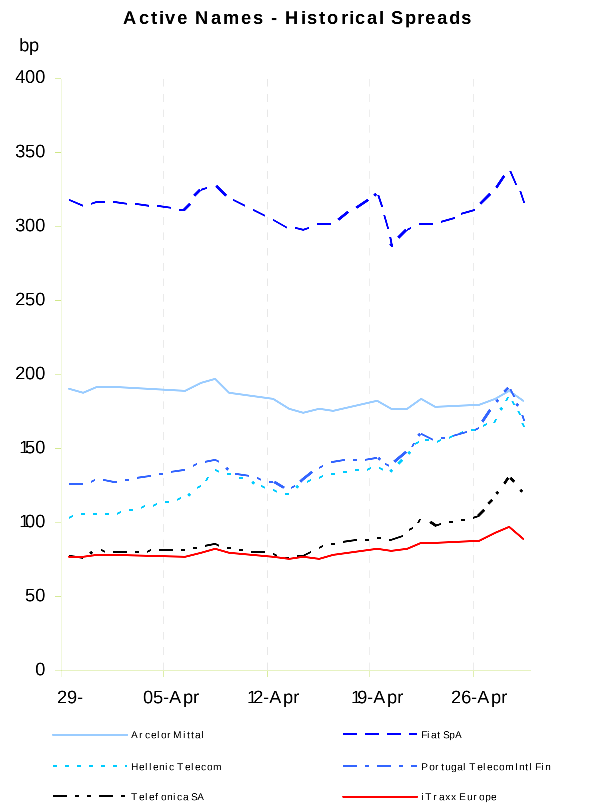
European CDS Roundup



Source: CDS data supplied by CMA DataVision

iTraxx Indices S13 5Y Data	Mid	D/D Change	W/W Change	M/M Change	Mean
Crossover	430.50	-22.00	1.50	7.50	421.2
HiVol	131.25	-4.75	6.25	13.75	119.7
Main	89.88	-7.25	3.13	12.13	81.6
Fin Sen	119.00	-11.75	9.50	28.88	99.0
Fin Sub	181.38	-19.13	4.38	35.13	158.6

Source: CDS data supplied by CMA DataVision

Credit Market Report *(previous trading day)*

Worst of the sovereign fears recede

iTraxx update - FOMC comments, receding EU sovereign fears and continued strong earnings allowed the iTraxx to continue to retreat from their recent wides on Thursday. The FOMC on Wednesday kept its pledge to keep rates low for an extended period, while also acknowledging an improving outlook for some sectors. Earnings flooded in and continued to be encouraging with outlook boosts from Siemens, Pernod and Bayer among others. Meanwhile peripheral EU sovereign spreads continued to outperform as assurances from EU officials gained traction.

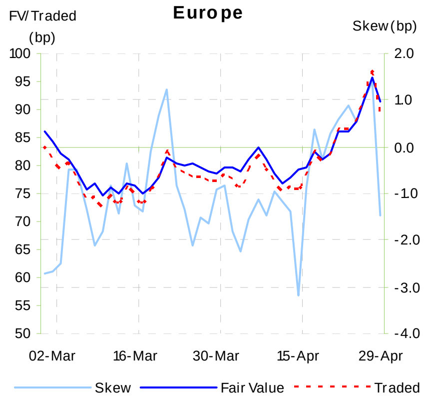
Sovereign update - Peripheral EU sovereign CDS spreads outperformed on Thursday as the market took some reassurance that officials were finally showing an understanding of the gravity and urgency of the Greek situation. Hope that talks and a deal will be concluded within the coming days were spurred on by EU's Rehn, and added to the momentum which started to build on Tuesday amid reports that the aid deal was growing to EUR 100-120bln over 3 years. Successful Italian auctions also helped calm fears as Italy managed to attract almost the maximum investment that it was aiming for. The biggest percentage tighteners in 5Y CDS were as follows: **Greece** (620 -125), **Portugal** (291 -35), **Ireland** (192 -21). (5Y CDS provided by CMA DataVision)

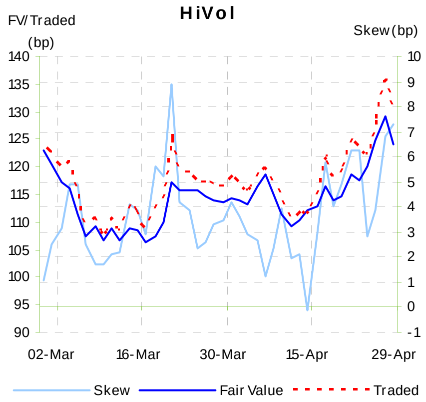
Financial update - **IKB** (370 +144) has been repriced over the last day or so. Participants had been reluctant to bid for protection on the German bank amid rumours that HSBC Trinkhaus might make an approach for it (the FTD reported on 26-Mar that HSBC Trinkhaus was in talks with Lone Star about a possible purchase), leaving the CDS to tighten. However, there appears to have been a change in attitude this week despite the lack of any news or new developments, and IKB CDS has returned to around the levels seen before bid talk. (5Y CDS provided by CMA DataVision)

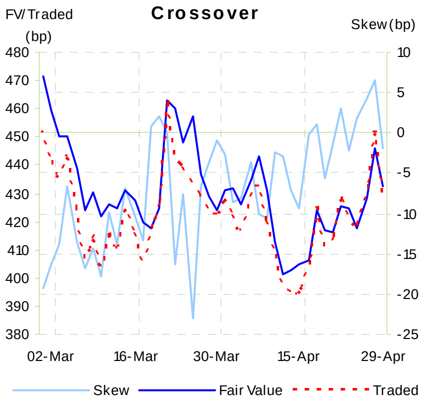
TMT update - **France Telecom** (53 +0.25) reported Q1 results just below expectations on Thursday with Q1 EBITDA down 5.5% Y/Y on a comparable basis to EUR 3.76bln and sales down 2.7% to EUR 10.96bln. Nonetheless, the company said the Q1 results were in line with its FY outlook and confirmed its 2010 financial objectives, which include generating EUR 8bln of organic cash flow. FY revenue is expected to remain generally stable Y/Y on a comparable basis, though this excludes the impact of regulatory measures that are expected to have a negative impact of EUR 1bln. The impact of regulation on EBITDA is expected to be similar to that of 2009, with the benefit of cost optimisation programmes seen offsetting other factors in EBITDA margin erosion. France Telecom also confirmed its mid-range financial guidance, which targets debt reduction (net debt to EBITDA ratio of less than 2x) and a policy of selective acquisitions, primarily in emerging markets. (5Y CDS level provided by CMA DataVision)

Look ahead - After the slew of results on Thursday, the flow of earnings ebbs on Friday, but will include highlights Barclays and Metro. The macro-economic calendar is fairly full and gets off to an early start with a dump of data from Japan overnight covering inflation, industrial production, employment as well as the BoJ rate decision. During European hours, the focus is likely to remain on any developments in the talks over Greek aid, which are due to conclude in the "coming days". There is some important data due from the US in the afternoon though, including the advanced Q1 US GDP release, which should show the US economy moving ahead strongly albeit slower than in Q4, but with consumption looking fragile, the risk is GDP could miss expectations. Also to watch out for are the Chicago PMI and U of Michigan confidence survey, which look to have topped out for now.

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	179.1	184.8	-3.6	-6.8	-1.8	-9.5	222.3
Fiat SpA	311.9	321.3	-6.2	-20.8	14.9	0.0	318.1
Hellenic Telecom	161.4	167.5	-11.8	-22.0	7.3	59.4	106.4
Portugal Telecom Intl Fin	164.9	172.6	-11.2	-21.3	9.4	41.5	100.8
Telefonica SA	115.9	120.8	-8.6	-11.1	15.6	38.0	81.9
Large Movers	**Bid**	**Offer**	**% D/D**	**BP D/D**	**BP W/W**	**BP M/M**	**Mean**
IKB Deut Industriebank	326.9	358.3	51.3	116.1	109.9	97.6	301.8
Intesa Sanpaolo SpA	102.9	107.6	-13.4	-16.3	8.7	35.5	70.7
Hellenic Telecom	161.4	167.5	-11.8	-22.0	7.3	59.4	106.4
Grohe Holding GmbH	728.6	753.3	-11.7	-98.1	-122.1	-196.3	1024.6
Societe Generale	120.7	125.6	-11.6	-16.1	24.9	38.5	86.1
iTraxx	**Bid**	**Offer**	**% D/D**	**BP D/D**	**BP W/W**	**BP M/M**	**Mean**
iTraxx Europe 5Y	89.6	90.1	-7.5	-7.3	3.1	12.1	81.1
							Data from trading on 29-Apr.

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

Ratings Actions

Date	Entity	Agency	Was	Moody's	S&P	Fitch	CMA Implied
29-Apr	Ford	FIT	B- pos	B3 RU	B- pos	B pos	CMA_b+
29-Apr	Fresenius SE	S&P	BB stb	Ba1 neg	BB pos	BB stb	CMA_bb+
29-Apr	Stora Enso Oyj	MDY	Ba2 neg	Ba2 stb	BB neg	BB neg	CMA_b+
29-Apr	Unitymedia GmbH	S&P	BB- CW-	B2 stb	B+ pos	NR	CMA_b
29-Apr	UPC Holding BV	S&P	B+ CW-	B2 stb	B+ pos	NR	CMA_b
29-Apr	Zurich Insurance	FIT	A neg	A2 stb	AA- stb	A stb	CMA_aa
28-Apr	Ford	S&P	B- stb	B3 RU	B- pos	B- pos	CMA_b+
28-Apr	Linde AG	MDY	Baa1 RU	A3 stb	A- stb	NR	CMA_a+
28-Apr	Spain	S&P	AA+ neg	Aaa stb	AA neg	AAA stb	CMA_bb

Corporate Events Calendar

Date	Time	Event Information	5Y CDS Levels	
	(GMT)	Last Updated 16:32 GMT 29-Apr-10	Bid	Offer
30-Apr	0500	Erste Bank Q1 Earnings release	149	162
30-Apr	0515	Metro AG Q1 Earnings release	103	107
30-Apr	0600	Barclays PLC Interim Trading update	103	109
30-Apr	0600	Rentokil Initial PLC Q1 Earnings release	90	95
30-Apr	0600	Total SA Q1 Earnings release	44	49
30-Apr	0630	Finmeccanica SpA Q1 Conference call	129	139
30-Apr	0630	Metro AG Q1 Conference call	103	107
30-Apr	0700	Erste Bank Q1 Conference call	149	162
30-Apr	0730	Banco Pastor Q1 Earnings release	339	392
30-Apr	0730	Barclays PLC Q1 Conference call	103	109
30-Apr	0800	Banco Pastor Q1 Conference call	339	392
30-Apr	0800	Bayer AG Q4/FY AGM	46	50
30-Apr	0815	Rentokil Initial PLC Q1 Conference call	90	95
30-Apr	0830	CIR Q4/FY AGM	395	415
30-Apr	0830	Credit Suisse Group Q4/FY AGM	98	104
30-Apr	0830	WPP Group PLC Q1 Conference call		
30-Apr	0900	Intesa Sanpaolo SpA Q4/FY AGM	103	108
30-Apr	1000	Barclays PLC Q4/FY AGM	103	109
30-Apr	1000	Repsol YPF SA Q4/FY AGM	146	155
30-Apr	1100	Pearson PLC Q4/FY AGM	57	62
30-Apr	1300	AT&T Inc Q4/FY AGM		
30-Apr	1300	Cofide SpA Q1 Earnings release		
30-Apr	1300	Japan Tobacco Inc Q4/FY Conference call		
30-Apr	1300	Renault SA Q4/FY AGM	222	227
30-Apr	1300	Total SA Q1 Conference call	44	49
30-Apr	1330	Edison SpA Q1 Conference call	88	97
30-Apr	1500	Chevron Corp Q1 Conference call		
30-Apr		Chevron Corp Q1 Earnings release		
30-Apr		CIR Q1 Earnings release	395	415
30-Apr		Cofide SpA Q4/FY AGM		
30-Apr		Colt Telecom Group SA Q1 Trading update	224	244
30-Apr		Edison SpA Q1 Earnings release	88	97
30-Apr		Finmeccanica SpA Q4/FY AGM	129	139
30-Apr		Repsol YPF SA Q4/FY Shareholder meeting	146	155
30-Apr		WPP Group PLC Q1 Trading update		
03-May	0600	TNT NV Q1 Earnings release	68	73
03-May	0800	Deutsche Telekom AG Q4/FY AGM	70	73
03-May	1200	TNT NV Q1 Conference call	68	73
03-May	1230	GDF Suez Q4/FY AGM	57	61

Source: CDS data supplied by CMA DataVision.

Economic Calendar

Date	Time (GMT)	Country	Release	Period
30-Apr		US	Chevron Reports	Q1
30-Apr	0900	EMU	Flash CPI Y/Y	APR
30-Apr	0900	EMU	Unemployment Rate	MAR
30-Apr	0915	GER	ECB's Weber Speaks	
30-Apr	1000	UK	Land Registry HPI	MAR
30-Apr	1230	US	GDP Advance Y/Y	Q1
30-Apr	1230	US	GDP Advance Q/Q	Q1
30-Apr	1230	US	GDP Impl Deflator Adv	Q1
30-Apr	1230	US	ECI - Civilian Q/Q	Q1
30-Apr	1230	US	ECI - Civilian Y/Y	Q1
30-Apr	1345	US	Chicago PMI	APR
30-Apr	1400	US	Final Mich Sentiment	APR