

Friday, 09 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
08-Apr	Ibercaja	EUR	5yr cedulas hipotecarias via BBVA/CA/HSBC/LBBW
08-Apr	DnB Nor	EUR	Cvrd bmk mandated to Barclays/GS/HSBC/UniCredit
08-Apr	UBM Real	EUR	100m-150m 5yr books open at m/s +360a. Bawag/RZB

**Most Recent Deals**

Date	Issuer	CCY	Amount	Coupon	Maturity	Spread	Mdy/S&P	Books
08-Apr	Anglo Irish	EUR	750m	4	04/15	m/s +165	Aa1/AA	Jt-leads
08-Apr	Anglo Irish	EUR	1.5bn	2.625	04/12	m/s +120	Aa1/AA	Jt-leads
08-Apr	Caixanova	EUR	600m	3.125	04/15	m/s +85	Aaa/nr	BBVA/CA/CM/UBS
08-Apr	EIB +	IDR	250b	6	04/14		Aaa/AAA	TD
08-Apr	CEZ A.S.	EUR	750m	4.875	04/25	m/s +122	A2/A-	Jt-leads
08-Apr	Lloyds TSB +	EUR	500m	3mE+120	03/13		Aa3/A+	BC/GS/Lloyds
08-Apr	RCI Banque	EUR	600m	2.875	07/12	m/s +145	Baa2/BBB-	BBVA/Natx/SG
08-Apr	CFF	EUR	1bn	2.625	04/15	m/s +28	Aaa/AAA	BNPP/CZ/Natx
08-Apr	BNG +	TRY	25m	10	02/14		Aaa/AAA	RBS
08-Apr	ANZ +	AUD	75m	6.125	02/13		Aa1/AA	RBC
08-Apr	Georg Fischer	CHF	200m	3.375	05/16		nr/nr	CS
08-Apr	BNG	CHF	200m	2.125	11/18		Aaa/AAA	CS

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

**Primary Market Report (previous trading day)**
**It's not all about covered**

Primary wasn't all about covered bonds for a change on Thursday, although the day didn't pass without action in that sector - instead it was a mixture of government guaranteed and corporate/financial trades that generated most of the headlines.

Let's clear-up the covered action first though, **Compagnie de Financement Foncier** completing a E1bn (no grow) 5yr OF at m/s +28, after initial +30 area guidance. Final books are E1.8bn. Germany led the way (37pc), followed by France (31pc), Benelux and Asia (5pc apiece), Switzerland (4pc), Austria and Italy (3pc each), and others (4pc). Banks are 50pc, central banks 36pc, fund/asset managers 9pc, and insurers 5pc. For the record, BNPP, Commerzbank and Natixis ran the trade. There have been two more new mandates announced: **DnB Nor Boligkreditt** hiring Barclays, Goldman Sachs, HSBC and UniCredit for a 100pc prime residential Norwegian mortgage backed issue; and **Ibercaja** appointing BBVA, Credit Agricole, HSBC and LBBW for a new 5yr cedulas hipotecarias.

Turning to government guaranteed space, **Anglo-Irish bank** brought a two part E1.5bn 2yr and E750m 5yr at m/s +120 and +165, from initial +125 area and +165 area guidance. BAML, Deutsche, JP Morgan, LBBW and SG were the bookrunners. Under the Spanish facility, **Caixanova** priced a E600m 5yr at +85, in line with benchmark at +85 area talk. Leads BBVA, Caja Madrid, Credit Agricole and UBS garnered interest in excess of E700m for the deal.

**RCI Banque** made swift work of a long 2yr senior deal, pricing a E600m Jul '12 at +145 via BBVA, Natixis and SG. Final books there are just shy of E1bn, with more than 150 accounts involved. **Lloyds TSB** took the opportunity to add E500m to its recent Mar '13 floater, bonds pricing at a fpr of 100.00, in line with guidance (and equivalent to around 3mE+120.5). The bonds originally launched on 22-Mar (at E+130), the bookrunners then, as now, are Barclays, Goldman Sachs and Lloyds TSB.

**CEZ a.s.** provided the corporate interest, a E750m 15yr coming at m/s +122, the tight end of +125 area (+/- 3bps) will price in range guidance. BayernLB, Erste, HSBC, SG and UniCredit led. Books officially opened too on the upcoming E100m to max E150m **UBM Realitaetenentwicklung** (unrated) 5yr at +360 area (in line with yesterday's +360 area whisper). Bonds are expected to be priced on Friday via Bawag and RZB.


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

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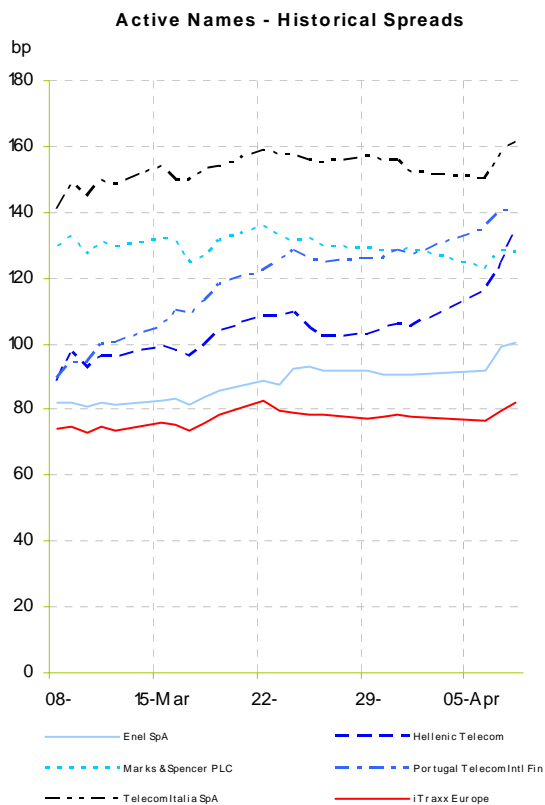
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## European CDS Roundup



Source: CDS data supplied by CMA DataVision

iTraxx Indices S13 5Y Data	Mid	D/D Change	W/W Change	M/M Change	Mean
<b>Crossover</b>	433.00	2.50	10.00	-	427.2
<b>HiVol</b>	119.88	0.75	2.38	-	117.8
<b>Main</b>	82.13	2.50	4.38	-	78.5
<b>Fin Sen</b>	97.50	2.88	7.38	-	91.2
<b>Fin Sub</b>	157.25	3.38	11.00	-	148.7

Source: CDS data supplied by CMA DataVision

### Credit Market Report (previous trading day)

#### Greek spreads dictate market direction

**iTraxx update** - Spiralling Greek spreads spooked the markets sending the iTraxx baskets wider during the first half of the day alongside falling equities. The record Greek spreads were not only a problem for EU peripherals thought, as financials were targeted on concern for their exposure. The weekly US initial jobless claims headline figure was also disappointing as it showed a surprising rise in claims, and German industrial production failed to show an expected rise M/M. However, ECB and BoE/MPC rate and QE were unchanged as expected. The iTraxx baskets managed to find some composure in the afternoon, possibly taking heart from US stocks which started to rise in early trade, even though they gapped down a bit at the open.

**Sovereign update** - Worries about **Greece's** (453 +44) ability to fund itself are refusing to die down, as reflected by the latest move wider in CDS. The 10Y GGB/Bund spread also widened out into the 420s, but subsequently came in a tad to 417. The Greek Fin Min has been trying to calm markets again by stressing that the stability plan is being implemented according to plan and targets are being met. He reiterated that a rescue request is not on the agenda and that the government continues to borrow conventionally. There has been no let up in the German stance though as the government has underlined its insistence that any aid must be a last resort and must involve the IMF. Note also reports of market talk that European banks are withdrawing access to funding lines for Greek banks. However, this is not a surprising revelation and furthermore Greek banks are currently relying more on ECB funding than lines provided by other banks. Nevertheless, a Fitch analyst said in an interview with Reuters that the time had come for Greece to ask the EU and IMF for aid in order to remove the uncertainty that is weighing on the market. Other peripheral EU sovereigns were being dragged wider too: **Ireland** (172.5 +14), **Italy** (136 +9), **Portugal** (175.5 +14.5), **Spain** (140.5 +9). (5Y CDS provided by CMA DataVision)

**Financial update** - Insurers bore the brunt of the collapse in confidence related to EU peripheral sovereigns on Thursday due to their exposures through their portfolios. **Generali** (90.5 +10.5) for example was one of the biggest underperformers, but most insurers and reinsurers were on the move too including: **Allianz** (69.5 +5), **Legal & General** (124.5 +8.5), **Munich Re** (52.5 +4), **SCOR** (77 +5), and **Swiss Re** (104.5 +7). (5Y CDS provided by CMA DataVision).

**Industrial update** - **TNT** (68.5 +2.5) announced that it plans to carve out its mail operations this year and seek a partnership or IPO of the the unit. It's mail unit continues to suffer from falling volumes brought about by the advent of email and digital communication; volumes at its Dutch mail operations fell by 7-9% in Q1 alone. A separation from its Mail unit would leave TNT looking more digestible and so Thursday's announcement revived perennial speculation of a possible approach from UPS or FedEx. The speculation was most evident in equities where TNT's share price rose over 7%. The lack of any more definite indications that such an approach may be forthcoming limited the reaction in CDS. TNT also provided an update on Q1 trading, noting a positive trend in conditions and Q/Q improvement in operating income. (5Y CDS provided by CMA DataVision)

**Crossover update** - **British Airways** (400 +5) announced that it had signed the long-awaited merger agreement with Iberia on Thursday morning, the terms of which are consistent with the binding MOU signed in Nov-2009. The merger, which will create a new holding company called International Consolidated Airlines Group, is expected to be completed in late 2010 and is forecast to generate annual synergies of around EUR 400m by the fifth year of operation. The announcement also reiterated Iberia's entitlement to terminate the merger agreement if the pension recovery plan agreed between BA and its pension trustees would be, in Iberia's opinion, materially detrimental to the economic premises of the proposed merger. (5Y CDS level provided by CMA DataVision)

**Look ahead** - Macro data releases settle down somewhat on Friday. Investors will be hoping that French industrial and manufacturing production data will be more akin to the UK this week than Germany, though both of the French data points are forecast to weaken M/M. In the UK, growth in PPI input and output prices is expected to have accelerated during March. The former is likely to be pushed higher due to further commodity price gains and the continued slide in sterling. US wholesale inventories data is released in the afternoon, and is expected to show +0.4% M/M growth. This release has important implications for US GDP as sales in the wholesale sector are a manifestation of inventory building in other sectors, recently a key component of US GDP growth. However, a drop in the value of petroleum inventories is likely to mask any rise in physical inventories in February. On the corporate front, SAS will report its March traffic statistics.

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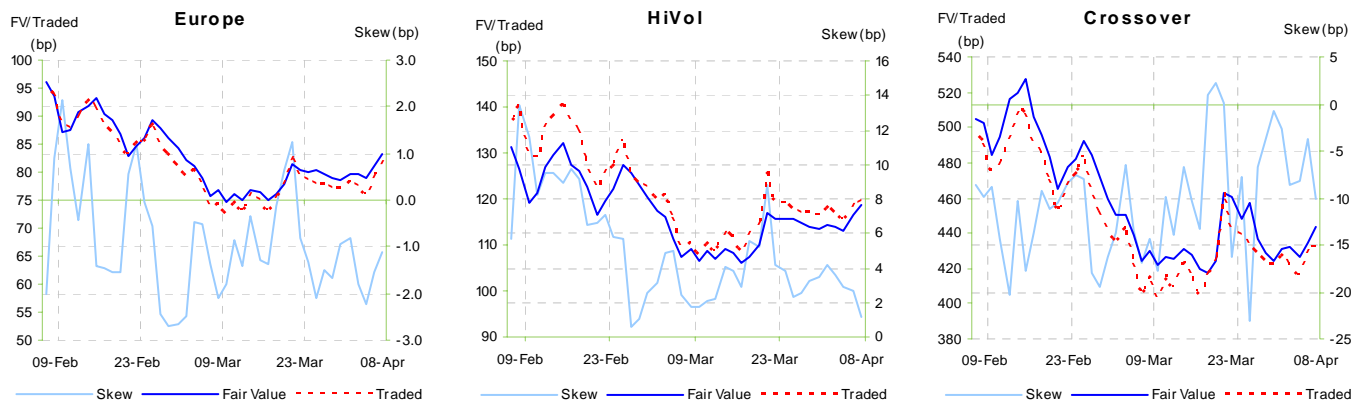
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**iTraxx 5Y Fair Value & Skew Charts**



Source: IGM

**Active Names & Movers**

Active Names	Bid	Offer	% D/D	BP D/D	BP W/W	BP M/M	Mean
Enel SpA	98.6	101.7	0.7	0.7	9.6	17.9	87.8
Hellenic Telecom	132.1	137.0	7.9	9.8	29.5	38.5	98.4
Marks & Spencer PLC	125.0	129.9	-0.6	-0.8	-1.2	-3.5	127.3
Portugal Telecom Intl Fin	139.1	143.4	0.5	0.7	14.0	41.4	92.1
Telecom Italia SpA	159.1	162.6	1.3	2.1	9.1	11.0	128.3
Large Movers	Bid	Offer	% D/D	BP D/D	BP W/W	BP M/M	Mean
Piraeus Group Fin	454.1	494.1	14.2	59.0	39.1	29.3	327.2
Generali	85.9	90.9	10.2	8.2	11.1	16.0	70.2
Generali (sub)	125.1	134.9	8.5	10.2	14.9	21.4	106.6
Fortis Bank SA/NV	75.0	79.5	8.3	5.9	4.6	8.6	66.5
BNP Paribas (sub)	119.6	125.5	8.2	9.3	7.9	12.9	104.1
iTraxx	Bid	Offer	% D/D	BP D/D	BP W/W	BP M/M	Mean
iTraxx Europe 5Y	81.9	82.4	3.2	2.5	4.4	7.1	81.4

Data from trading on 08-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
08-Apr	ATEbank	MDY	Baa1 stb	Baa1 neg	NR	BBB- neg	NR
08-Apr	Ireland	S&P	AA neg	Aa1 neg	AA neg	AA- stb	CMA_bbb-
07-Apr	DP World Ltd	S&P	BB+ CW-	Ba1 stb	BB neg	NR	CMA_bb
07-Apr	DP World Ltd	MDY	Ba1 stb	Ba1 stb	BB+ CW-	NR	CMA_bb
07-Apr	MAN SE	S&P	A- CW-	A3 stb	BBB+ stb	NR	CMA_bbb



**Corporate Events Calendar**

Date	Time	Event Information	5Y CDS Levels	
	(GMT)	Last Updated 16:27 GMT 08-Apr-10	Bid	Offer
09-Apr	0800	Merck KGaA Q4/FY AGM	75	81
09-Apr	0900	Atlantia SpA Shareholder meeting	61	68
09-Apr	0900	SAS AB Mar Traffic update	685	708
09-Apr		Atlantia SpA Q4/FY AGM	61	68
09-Apr		Fortis EGM		
12-Apr	1330	Bco Comercial Portugues Q4/FY AGM	185	194
12-Apr		Fortis EGM		
13-Apr	1200	Koninklijke Ahold NV Shareholder meeting	80	85
13-Apr		Deutsche Lufthansa AG Mar Traffic update	187	192
13-Apr		Koninklijke KPN NV Shareholder meeting	55	58
13-Apr		LVMH Q1 Sales update	59	63
14-Apr	0800	Daimler AG Q4/FY AGM	91	95
14-Apr	0830	SNS Reaal Q4/FY AGM	167	182
14-Apr	0830	UBS AG Q4/FY AGM	88	91
14-Apr	0900	Atlantia SpA Shareholder meeting	61	68
14-Apr	1000	Investor AB Q1 Earnings release	69	77
14-Apr	1300	Investor AB Q4/FY AGM	69	77
14-Apr	1300	Volvo AB Q4/FY AGM	191	196
14-Apr		Atlantia SpA Q4/FY AGM	61	68
14-Apr		Casino Guichard Perrachon Q1 Sales update	91	95
15-Apr	0500	Roche Holding AG Q1 Sales update	38	42
15-Apr	0500	Syngenta AG Q1 Trading update	44	49
15-Apr	1030	BP PLC Q4/FY AGM	42	45
15-Apr	1230	Nestle SA Q4/FY AGM	38	42
15-Apr		Carrefour SA Q1 Sales update	60	64
15-Apr		Experian Group Ltd Trading update	38	42
15-Apr		Groupe Danone Q1 Sales update	57	61
15-Apr		LVMH Shareholder meeting	59	63
16-Apr	1400	Energias de Portugal SA Q4/FY AGM	139	143
16-Apr	1400	Portugal Telecom SGPS SA Q4/FY AGM	139	143
19-Apr	0800	Henkel KGaA Q4/FY AGM	40	44
19-Apr		Philips Electronics Q1 Earnings release	80	85
20-Apr	1200	Puma AG Q4/FY AGM		
20-Apr	1300	Pirelli & C SpA EGM		
20-Apr	1600	Accor SA Q1 Sales update	130	135
20-Apr	1600	UniCredit SpA Shareholder meeting	92	95
20-Apr		France Telecom SA Shareholder meeting	46	49
20-Apr		Novartis AG Q1 Earnings release	37	40
20-Apr		Pirelli & C SpA Q4/FY AGM		

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## Economic Calendar

Date	Time	Country	Release	Period
(GMT)				
09-Apr	0030	US	Fed's Bernanke Speaks	
09-Apr	0600	GER	Trade Balance SA EUR	FEB
09-Apr	0600	GER	Current A/C Bal SA EUR	FEB
09-Apr	0830	UK	PPI Input NSA M/M	MAR
09-Apr	0830	UK	PPI Input NSA Y/Y	MAR
09-Apr	0830	UK	PPI Output NSA M/M	MAR
09-Apr	0830	UK	PPI Output NSA Y/Y	MAR
09-Apr	0830	UK	PPI ex-FDT SA Y/Y	MAR
09-Apr	1400	US	Wholesale Inv M/M	FEB
09-Apr	1400	US	Wholesale Sales M/M	FEB
12-16	0600	GER	WPI M/M	MAR
12-16	0600	GER	WPI Y/Y	MAR
12-16	0830	UK	Narrow Money M/M	MAR

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