

## Guidance to issuers: jump while the window is open



Borrowers often remark that whenever they ask their banks for advice on timing their capital markets transactions, the banks always say 'do it now', with the clear inference that it's self-serving for the underwriters rather than for the borrowers. However, 'now' is probably the right advice in these markets – depending on the day.

The bond market is nervous and each day can have a very different complexion. On 'go' days, if borrowers are ready to press the button, they can generate good momentum and achieve good execution with solidly oversubscribed books. It isn't so much that the market is trading overly technically or being unduly judgemental around supply, but sentiment can change very quickly on news flow amid the lingering Covid-19 uncertainty.

That can leave borrowers stranded in primary with deals that work less well if they go out on a days with less than solid undertones. On a given day, it seems to be a question of showing up early, seeing how the market feels and making a snap decision as to whether to go out with a given deal or not.

Europe feels a lot nervier than the US. The last edition of Primary Market Talk ('New debt supply well absorbed for now; volatile markets may change that') came out while the bond market was feeling distinctly edgy on the back of a rise in Covid-19 cases and some dire economic data. New issues were feeling just a bit more strained than they had in previous weeks.

But that wasn't counting with yet more monetary support in the US in the form of the Fed kicking off its Secondary Market Corporate Credit Facility with purchases of eligible individual bonds. That stopped any negative sentiment in its tracks and it led to a frenzy of new issues, with a surge in secondary trading. Remember that the SMCCF will leverage the Treasury's equity by 10-to-1 for investment-grade corporate bonds and IG corporate bond ETFs; seven-to-one for eligible sub-investment-grade bonds. Banks are excluded from the Fed's Broad Market Index that governs its purchases, though insurance and non-bank/insurance financials are in.

The feel-good factor in the US definitely fed through to Europe but perhaps less fulsomely. The past week or so of European new-issue activity didn't reveal any deep-seated anxieties, but by the same token it has hardly been exuberant. Issuance has been relatively well absorbed, depending on the frame of reference applied. FIG supply has emerged up and down the capital stack from covered bonds through to deeply subordinated AT1 issuance, in euros, US dollars and other currencies that offer good arbitrage funding.

Allied Irish Banks (6.25% in euros), Royal Bank of Scotland and Standard Chartered (both printing at 6% in US dollars) kept the AT1 show on the road, while Legal & General printed a sterling insurance RT1 (at a 5.626% yield); all generating pretty robust demand. RBS has a USD 2bn AT1 line coming up to its first call date on 10 August. If not called the reset kicks in at 580bp over mid-swaps. There is some speculation about whether the bank will call; among other things FX factors will reportedly be a big part in the decision. In the US, Discover Financial Services and Trust Financial sold deeply subordinated preferred stock (the latter with a 10-year call).

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Bloomberg: SCOP

European Tier 2 supply had an insurance flavour (CNP Assurances, La Mondiale) with Swiss Re selling subordinated notes. UniCredit was the solo European bank Tier 2 issuer of recent days, coming in Yankee format on 23 June with a somewhat novel twist in the US market: a 10-year call. The Italian group paid a spread of 475bp over Treasuries to get the issue over the line. China Construction Bank also tapped US dollars for a USD 2bn T2.

A sure sign of how the market has broadly recovered since March's deep sell-off is clear to see in recent covered bond supply. There has been a steady flow in recent days and with one exception all priced at negative yields by dint of above-par reoffers – VUB's five-year; SR Boligkredit's 7s; DZ Hyp's 8s; and Caffil, Rabobank and UniCredit Bank AG's 10s). Axa Home Loan SFH printed above the positive yield line with its long-dated 15-year, which was reoffered at 98.571 to yield 0.222%.

Those levels are just too rich for a lot of buy-side accounts and while none of the issues unduly struggled to print, not all were that well covered. That puts senior preferreds in pole position to benefit as some quarters of the covered bond investor base potentially vote with their feet. But even senior preferreds are looking tight.

OP Corporate Bank's EUR 1bn four-year on 23 June priced at MS+50bp for a 0.135% yield; hardly head-turning and definitely reminiscent of pre-Covid levels. Svenska Handelsbanken USD 1.25bn Yankee senior preferred priced at 53bp over Treasuries, having started out with initial price thoughts of +75bp.

Yankee supply by European banks is another factor worthy of note. In the past week or so, senior unsecured supply came from Danske Bank (USD 1.25bn 4NC3), ING Groep (USD 1bn 6NC5 green), and Barclays (USD 1bn 11NC10). Handelsbanken and Rabobank (USD 1bn 6NC5) did senior preferreds; UniCredit sold its Tier 2; while RBS and StanChart, as mentioned, both sold USD 1bn AT1s.

### Summary of FIG debt issuance 15 June to 25 June (15:00 CET)

#### EUROPEAN ISSUERS

**Allied Irish Banks Group** priced a EUR 625m PNC5.5 AT1 on 16 June at a yield of 6.25%; books were above EUR 5bn. IPTs were 7% area. Expected deal size at the start of marketing was EUR 500m.

**AXA Home Loan SFH** priced a no-grow offering EUR 500m 15-year mortgage covered bonds on 17 June at MS+16bp; books reaching EUR 740m. Guidance was MS+18bp area.

**Banco Sabadell** priced EUR 500m of 3NC2 senior preferred notes on 17 June at MS+210bp, to demand of over EUR 2.6bn from more than 260 accounts. Pricing came at the tight end of MS+215bp +/-5bp WPIR guidance. IPTs were MS+250bp area.

**Banco Santander** priced a EUR 1bn seven-year senior non-preferred green bond on 18 June at MS+140bp, the tight end of MS+140bp-145bp WPIR guidance. Books closed above EUR 3.4bn. IPTs were MS+170bp area.

**Barclays plc** sold a no-grow USD 1bn offering of 11NC10 senior unsecured bonds on 17 June at T+190bp. IPTs were T+225bp area.

**Caisse Française de Financement Local** (Caffil) priced a EUR 1bn 10-year public sector covered bond on 17 June at MS+7bp, drawing demand of over EUR 1.2bn. Pricing came at the tight end of MS+8bp +/-1bp WPIR revised guidance; initial guidance was MS+11bp area.

**CNP Assurances** priced EUR 750m of 31NC11 Tier 2 notes on 23 June at MS+265bp, equivalent to a yield of 2.543%. Final books were over EUR1.25bn. IPTs were MS+285bp area.

**Credit Agricole** mandated leads to arrange investor calls ahead of a potential CNH-denominated senior preferred in China's Interbank Bond Market. Credit Ag's CNH bond issuance programme is the first from a European G-SIB.

**DZ Hyp** priced EUR 1bn in eight-year mortgage covered bonds on 17 June at MS+5bp. The final book was above EUR 1.5bn. Guidance was MS+8bp area.



## New debt supply well absorbed for now; volatile markets may change that

**Euronext** priced a EUR 250 tap of its EUR 500m due 2029 senior unsecured offering on 22 June at MS+105bp. Proceeds are partially to pre-finance the acquisition of VP Securities A, the Danish CSD operator. Pricing came at the bottom of MS+105bp-110bp WPIR revised guidance. IPT were MS+125bp area.

**Helvetia Europe** priced EUR 600m in 21NC11 in subordinated notes on 23 June at MS+295bp (2.847% yield). The final book was over EUR2.75bn. Guidance was MS+300bp-305bp; IPTs were MS+330bp area.

**HYPO NOE Landesbank für Niederösterreich und Wien** priced EUR 500m of four-year senior preferred green bonds on 19 June at MS+80bp. Demand reached EUR 1bn from 134 accounts. IPTs went out at MS+100bp, with guidance coming at MS+85bp area.

**ING Groep** priced a USD 1bn 6NC5 senior unsecured green bond on 24 June at T+110bp guidance; books closing above USD 1.7bn. IPTs were T+130bp area.

**La Mondiale** priced a EUR 500m 11-year Tier 2 note on 16 June at MS+225bp; books closed above EUR 3.2bn. Pricing was at the tight end of MS+225bp-230bp WPIR guidance. IPTs were MS+270bp area.

**Legal & General** priced a GBP 500m PNC11.25 RT1 on 17 June at a yield of 5.626% (semi-annual coupon of 5.625%). At the first reset date, the coupon resets to five-year Gilts plus the initial credit spread (537.8bp). Final books were around GBP 3.5bn, having been over GBP 4bn during marketing. Guidance was 5.75% +/- 0.125% WPIR; IPTs were 6.25% area. The deal priced at the top of the GBP 400m-GBP 500m (maximum) size range.

**Lloyds Bank Corporate Markets** priced GBP 500m in three-year senior unsecured notes on 16 June at G+155bp. The final book was above GBP 2bn. IPTs were G+175bp area.

**OP Corporate Bank** priced EUR 1.1bn in four-year senior preferred notes on 23 June at MS+50bp. The final book was EUR1.2bn at reoffer. IPTs were MS+70bp area.

**Rabobank** priced a EUR 1.25bn 10-year covered bond backed by prime Dutch residential mortgages on 24 June at MS+7bp. Note were offered at 100.702 to yield -0.06%. The final book was above EUR 1.6bn. Guidance was MS+10bp area.

On 17 June, Rabobank priced USD 1bn in 6NC5 senior non-preferred notes on 17 June at T+100bp guidance. IPTs were T+125bp area.

The **Royal Bank of Scotland Group** priced a USD 1.1bn PNC5.5 AT1 on 24 June at 6% yield guidance, 50bp through IPTs of 6.5% area.

**SR-Boligkreditt** priced a EUR 750m seven-year covered bond backed by prime Norwegian residential mortgages on 18 June at MS+12bp. Final books over EUR1.3bn. Guidance was MS+16bp area.

**Standard Chartered** priced a USD 1bn PNC5 AT1 on 17 June at a 6% yield. Final books circa USD5.5bn. IPTs were 6.5% area.

**Svenska Handelsbanken** priced a USD 1.25bn offering of three-year senior preferred notes on 23 June at T+53bp, the tight end of T+55bp +/-2bp guidance. IPTs were T+75bp area.

**Swedbank** pushed out final guidance on a senior preferred yen benchmark on 24 June; the three-year tranche going at YOS+35bp; the five-year at YOS+40bp.

**Swiss Re** priced a SGD 350m 15NC5 subordinated note on 24 June at a 3.125% yield. IPTs were 3.60% area

**UniCredit** priced a USD 1.5bn 15NC10 Tier 2 on 23 June at T+475bp guidance, equivalent to a yield of 5.459%. Books closed above USD5.3bn. IPTs were T+510bp area.

**UniCredit Bank AG** priced EUR 1bn of 10-year mortgage covered bonds on 18 June at MS+10bp. Bonds priced at 100.602 to yield -0.05%. Final books were over EUR1.25bn at reoffer. Guidance emerged at MS+12bp area.

**Virgin Money UK plc** priced EUR 500m of 5NC4 senior unsecured holdco notes on 17 June at MS+325bp. Final books were above EUR 1.15bn. Guidance was MS+330bp area; IPTs were MS+350bp area.

**Vseobecna uverova banka** priced a no-grow EUR 500m five-year covered bond backed by prime Slovak residential mortgages on 16 June at MS+28bp, on demand of above EUR 1.4bn. Bonds priced at the tight end of MS+30bp +/-2bp WPIR revised guidance. Initial guidance was at MS+35bp area.

### NON-EUROPEAN ISSUERS

Insurer **Arch Capital** priced USD 1bn of 30-year senior unsecured notes on 23 June at T+215bp, the tight end of T+220bp +/-5bp guidance.

**Athene Global Funding** priced a USD 300m 30-year funding agreement-backed bond on 24 June at T+225bp. IPTs were T+240bp area. The issuer was also in the euro market on 16 June with a EUR 500m three-year funding agreement-backed note at MS+225bp, the tight end of MS+225bp-230bp guidance. Books closed around EUR 775m, having been above EUR 850m during marketing. IPTs were MS+240bp area.

**Bank of America** sold USD 6bn in senior unsecured debt split into a USD 3bn 6NC5 tranche that priced at T+97bp (the tight end of T+100bp +/-3bp guidance; IPTs T+115bp area), and a USD 3bn 21NC20 tranche that priced at T+137bp (the tight end of T+140bp +/-3bp guidance; IPTs T+155bp area).

**Bank of China** priced a USD 1bn senior unsecured offering on 18 June split into a USD 400m FRN that priced at final guidance of 3mL+75bp (initial guidance +110bp area) and a USD 600m fixed-rate tranche that priced at final guidance of T+103bp (initial guidance T+140bp area). Books closed at above USD 3.4bn

**Brookfield Infrastructure Partners** pushed out 5.50% guidance on its USD 150m PNC5 green preferred stock offering on 23 June; IPTs were 5.375%-5.50%

**Canadian Imperial Bank of Commerce** priced USD 1.25bn in three-year senior unsecured notes on 17 June at T+75bp, the tight end of T+80bp +/-5bp guidance. IPTs were T+100bp area.

**China Construction Bank** priced USD 2bn in 10NC5 Tier 2 notes on 18 June at T+215bp final guidance. Books closed at over USD 5.1bn from 191 accounts. Initial guidance was T+250bp area.

**CIT Group** priced a USD 500m 4NC3 fixed-to-floating senior unsecured bond on 16 June at T+370bp. Guidance was T+375bp-387.5bp; IPTs were T+400bp-412.5bp.

**Discover Financial Services** priced USD 500m in PNC5 preferred stock on 17 June at a yield of 6.125% guidance. IPTs were 6.125% to 6.25%.

**Dubai Islamic Bank** priced a USD 300m tap of its USD 1bn due January 2026 senior unsecured Sukuk on 23 June at MS+240bp, the tight end of final guidance is MS+240bp-245bp WPIR. Initial guidance was MS+250bp area.

**First Abu Dhabi Bank** priced CNH 1.4bn in five-year Taiwan-targeted senior unsecured notes on 17 June at a yield of 3.50% (final guidance). Demand reached CNH 1.6bn from 32 orders at reoffer.

**Guardian Life Insurance Company of America** priced USD 400m (upsized from USD 350m) of five-year funding agreement-backed notes on 16 June at T+77bp, the middle of T+80bp +/-5bp guidance. IPTs were T+100bp area.

**Haitong International Securities** priced USD 400m of three-year senior unsecured debt on 18 June at T+195bp, the tight end of T+200bp +/-5bp final guidance. Books closed at over USD 2.1bn. Initial guidance was T+235bp area.



## New debt supply well absorbed for now; volatile markets may change that

**Industrial Bank of Korea** priced a USD 500m senior unsecured social bond on 16 June at T+72.5bp. Demand was above USD 1.4bn at reoffer. Net proceeds will be allocated to support SMEs, job creating companies and start-ups affected by Covid-19. Initial guidance was T+115bp area.

**New York Life** priced USD 500m in funding agreement-backed notes on 17 June at T+63bp guidance. IPTs were T+80b0-85bp.

**Principal Life** sold USD 500m (upsized from USD 350m) in five-year funding agreement-backed notes on 16 June at T+92bp. Guidance was T+95bp area; IPTs were T+120bp.

**Qatar National Bank** priced CNH 1.2bn of five-year Taiwan-targeted senior unsecured notes on 22 June at yield of 3.85% final guidance.

**Sharjah Islamic Bank** priced a USD 500m five-year senior unsecured Sukuk on 16 June at a profit rate of 2.85% (MS+245.8bp). Books closed at over USD 3.4bn. IPTs were MS+285bp-290bp area.

**Truist Financial** priced a USD 1bn PNC10 preferred stock offering on 16 June at a yield of 5.10%. IPTs were 5.375% area.

*(Source for raw bond data: Bond Radar ([www.bondradar.com](http://www.bondradar.com)); bank and media sources)*

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