Investors still in risk-on mode as fourth quarter kicks off

The last week of September and the start of Q4 were business-as-usual for FIG issuers; issuance was relatively brisk if not super-busy. The risk-on tone of previous weeks was maintained, unperturbed by any shock economic, geopolitical or political news.

The market remains broadly risk-on, with anything offering a vestige of yield sought after. Peripheral euro area issuers continue to see good demand: Abanca and Banco BPM hit the Tier 2 market, offering yieldy returns (MS+501.4bp and MS+467.2bp respectively), while Russia's Sovcombank also raised Tier 2 capital, paying an 8% US dollar yield. Landesbank Berlin also got in on the Tier 2 act, although support was so-so.

Perusing the list of issuers tapping the market in the past few days shows the breadth and depth variety on offer. European national champions and second-line names from core, non-core and peripheral jurisdictions as well as Nordic and EM names; frequent and infrequent issuers; benchmark and sub-benchmark size; conventional and green/social supply; and supply through the capital structure.

Worthy of note: insurance Tier 2 supply from Generali (first green subordinated bond from a European insurance company), Mandatum and Hannover Re in euros; Royal London and Just Group in their sterling home currency.

Talking of sterling, a trio of French names tapped the UK market in recent days – BFCM and Credit Agricole in senior preferred and SG in senior non-preferred format. UK funds seem happy to buy non-UK issuers without a pick-up to domestic names. Given Brexit risk, some investors are said to even prefer non-UK names in sterling. Good levels of end-user interest and a good basis swap offered good funding, arguably through equivalent euro and US dollar levels.

Given where the covered bond yield curve is, another notable theme that seems to be holding is the evaporation of previously rampant demand for euro supply from core eurozone issuers. To be clear, issuers are still able to print with negative yields, but book coverage just isn't what it was.

Prima banka Slovensko priced its debut EUR 500m seven-year covered with a negative yield of -0.096% – the first of the Slovak issuers to print negative in primary – and attracted EUR 700m of orders. Monte dei Paschi di Siena seemed to get good traction with its EUR 1bn seven-year CPT OBG, with 3x book coverage for its deal being marketed at 125bp over mid-swaps.

Deutsche Bank and BAWAG provided a bit of sport, going head-to-head in marketing on 25 September with same-maturity mortgage covered trades that leads put into the market at the same time at the same IPTs of MS+10bp. DB clearly won the joust, getting 2x coverage and printing at MS+7bp, leaving BAWAG barely covered and failing to breach IPTs.

Single-name news saw ABN AMRO come under investigation from the Dutch public prosecutor relating to requirements under the Act on the prevention of money laundering and financing of terrorism, Meanwhile, Commerzbank unveiled its 5.0 restructuring.

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Summary of FIG debt issuance 23 September to 1 October (12:30 CET)

EUROPEAN BANKING GROUPS

Abanca Corporación Bancaria priced a EUR 300m 10.5NC5.25 Tier 2 offering at MS+501.4bp on September 26 for a yield of 4.625%, the tight end of 4.75% +/-0.125% guidance. Books closed in excess of EUR 1.1bn from over 150 accounts, more than half of which were first-time buyers of Abanca paper, the bank noted. IPTs were 5.125% area.

Russia's **Alfa Bank** mandated leads on 27 September to arrange roadshows ahead of a potential US dollar Basel III-compliant 10.5/NC5.5 Tier 2 issue.

Assicurazioni Generali priced a EUR 750m 11-year green Tier 2 at MS+225bp on 23 September. Books were amply covered; demand exceeding EUR 3.25bn. The deal had started out with IPTs of MS+260bp area, tightening to guidance of MS+235bp area. The new bond came alongside a tender for three subordinated note series (EUR 2.56bn in aggregate outstandings) with first call dates in 2022. Of more than EUR 1.5bn tendered, the company said it would purchase EUR 1bn.

AIB Group went into the market on 1 October with a no-grow EUR 500m PNC5 AT1.

Banca Monte dei Paschi di Siena mandated leads on 30 September to lead a EUR 1bn seven-year conditional pass-through OBG covered bond backed by prime Italian residential mortgages. The following morning leads were out with IPTs of MS+135bp area and set the spread at MS+125bp as book coverage approached 3x.

Banco BPM priced a EUR 350m (planned size EUR 300m minimum) 10NC5 Tier 2 on 24 September at MS+467.2bp, equivalent to a yield of 4.25%. Books were above EUR 800m at closing. Yield guidance was 4.375% area and IPTs were 4.625% area (MS+505bp equivalent).

Banco Santander was in the market on 1 October with a no-grow EUR 1bn seven-year green senior preferred. IPTs were MS+85bp area. Interest was brisk, the book going above EUR 1.5bn within 90 minutes. The spread was fixed at MS+65bp as books soared to EUR 5.4bn from 300 investors.

Banque Fédérative du Crédit Mutuel priced a GBP 250m senior preferred on 25 September at IPTs of G+125bp.

BAWAG priced a no-grow EUR 500m 10-year mortgage covered bond on 25 September at a yield of -0.112%, or MS+10bp (which is where guidance emerged). Demand just covered the deal at EUR 525m.

BBVA priced a no-grow EUR 1bn five-year senior non-preferred on 24 September at MS+80bp, the tight end of MS+80bp-85bp guidance. The final book was above EUR 1.5bn; IPTs were MS+95bp-100bp.

Belfius Bank priced a no-grow EUR 500m 10-year public-sector covered bond on 23 September at MS+10bp, equivalent to a negative yield of -0.066% and the tight end of revised guidance of MS+11bp +/-1bp WPIR. Demand of EUR 850m was good at reoffer with 64 investors allocated. Initial guidance had gone out at MS+13bp area.

BPCE priced a USD 750m 10-year senior preferred at T+112.5bp guidance on 24 September. IPTs T+125bp area.

Cassa Centrale Raiffeisen dell'Alto Adige priced a EUR 150m five-year senior preferred note on 23 September at MS+160bp, with demand going above EUR 280m. Guidance had been MS+165bp area and IPTs +175bp area.

Crédit Agricole priced its GBP 300m five-year senior preferred on 25 September at G+100bp for a yield of 1.364%, the tight end of G+100bp-105bp WPIR. The final book was around GBP 450m. IPTs had emerged at +110bp area.

Crédit Mutuel Arkéa priced its EUR 500m nine-year senior preferred debut social bond on 27 September at MS+70bp, the bottom of MS+70bp-75bp guidance, and pulled in demand of over EUR 1.3bn. IPTs had been +90bp area. The issuer had conducted roadshows presenting its Green, Social and Sustainability Bond framework.

CRH Caisse de Refinancement de l'Habitat went out on 27 September looking for a seven to 10-year benchmark euro covered bond. On 1 October, leads went into marketing with a EUR 1bn 10-year at MS+10bp area. Demand was in excess of EUR 1.5bn within an hour. The spread was fixed at MS+6bp as demand went above EUR 2.5bn.

Deutsche Bank priced a no-grow EUR 500m 10-year mortgage covered bond on 25 September at MS+7bp, equivalent to a negative yield of -0.147%. Books went above EUR 1bn. Guidance was MS+10bp area.

Hannover Re went into the market on 1 October with a capped EUR 750m 20NC10 Tier 2 with guidance of MS+140bp +/-2bp WPIR, with books above EUR 2bn. Leads had gone out with IPTs of MS+160bp-165bp.

HSBC priced an AUD 500m 3.25-year and five-year senior unsecured trade on 24 September. The AUD 150m shorter FRN priced at 3mBBSW+63bp guidance; the five-year FRN at +83bp guidance. The AUD 100m five-year fixed-rate tranche priced at S/Q ASW+83bp guidance.

Hypo NOE Landesbank fuer Niederoesterreich und Wien priced a no-grow EUR 500m seven-year public sector covered bond on 24 September at MS+8bp to demand of EUR 830m. MS+11bp area initial guidance was revised to MS+9bp area +/1bp WPIR.

Just Group priced a GBP 125m 10-year Tier 2 on 25 September with a chunky 8.125% yield, equivalent to G+774.4bp, with books closing at around GBP 175m. Pricing came at the tight end of 8.125%-8.25% guidance. The new issue came alongside a tender for GBP 100m 9.5% subordinated notes due 2025 (first call date 24 March 2020).

Landesbank Berlin priced a EUR 175m 10-year Tier 2 on 23 September at MS+200bp, the wide end of MS+200bp +/-3bp WPIR revised guidance; books closing above EUR 230m. Initial guidance had been MS+205bp area.

Lloyds Bank Corporate Markets, the group's non-ring-fenced entity, priced its debut euro benchmark – a EUR 1bn three-year opco senior unsecured offering – on 27 September at MS+75bp, with investor demand above EUR 3bn. IPTs had come out at MS+90bp area.

Mandatum Life Insurance's EUR 250m 30NC5 Tier 2 offering priced on 26 September at guidance of MS+235bp; books closing above EUR475m. IPTs had been MS+250bp area.

Troubled **Metro Bank** cancelled its GBP 200m-GBP 250m 4NC3 senior non-preferred offering owing to poor investor reception, despite generous guidance of 7.50%.

More Boligkreditt mandated leads on 1 October for its EUR 250m five-year covered bond with a 5-year tenor, backed by prime Norwegian residential mortgages.

Prima banka Slovensko priced its EUR 500m seven-year covered bonds backed by Slovakian residential mortgages at MS+24bp on 24 September, the tight end of MS+25bp +/-1bp WPIR guidance, to more than EUR 700m of demand, despite the negative yield (-0.096%). IPTs had been high 20s.

The **Royal London Mutual Insurance Society** priced a GBP 600m 30NC20 Tier 2 on 30 September at G+410bp. Demand reach above GBP 1.5bn, enabling leads to print 20bp through arguably generous G+435bp IPTs.

Sovcombank priced its USD 300m 10.5NC5.5 Tier 2 with a yield of 8.00% on 1 October, the top end of 7.875%-8% final guidance and the same level at IPTs; and at the bottom end of the planned USD 300m-USD 400m size.

SpareBank 1 Ostlandet's no-grow EUR 500m five-year senior preferred priced at MS+67bp on 27 September and saw demand of EUR 640m from over 60 accounts. Pricing came at the tight end of MS+70bp area +/-3bp WIPR guidance; IPTs had been MS+75bp area.

SR-Boligkreditt was out on 30 September with its debut green covered bond backed by Norwegian residential mortgages. On 1 October, the issuer went into formal marketing with a seven-year at MS+13bp area guidance for EUR 500m. Books were above EUR 1.1bn by the end of the morning.

Société Générale priced a GBP 250m five-year senior non-preferred at G+160bp on 26 September; books going above GBP 340m. IPTs had been +165bp area.

NON-EUROPEAN BANKING GROUPS

CIMB Bank priced a USD 680m five-year floating-rate Formosa SDG bond at a coupon of 3mL+78bp on 25 September, the bottom end of 3mL+78bp-80bp WPIR guidance.

US regional bank **CIT Bank** sold USD 550m in 6NC5 fixed-to-floating (using SOFR) senior notes at T+145bp on 24 September, the bottom end of T+150bp area +/-5bp guidance. IPTS were T+175bp area.

Citigroup went into marketing on 1 October with a euro benchmark 8NC7 with IPTs of MS+105bp area.

Mexico's **Crédito Real** priced a EUR 350m 7NC3 senior unsecured bond on 27 September at a yield of 5.125%, the tight end of 5.25% +/-0.125% WPIR guidance. Proceeds will finance a partial tender offer of its outstanding USD 625m 7.25% senior notes due 2023. IPTs had emerged at 5.375% area.

Thailand's **Kasikornbank** priced an USD 800m 12NC7 Tier 2 on 23 September at the launch spread of T+170bp, 5bp through final guidance of T+170bp-175bp. Initial guidance had been T+200bp area.

KEB Hana Bank priced a USD 400m three-year FRN on 25 September at 3mL+70bp, with demand exceeding USD 3.4bn from over 125 accounts. Initial guidance had been +100bp area.

Mitsubishi UFJ Financial Group priced an AUD 500m TLAC-eligible green bond on 24 September split into a AUD 100m five-year that priced at MS+125bp (3bp through S/Q ASW+128bps area guidance) and a AUD 400m five-year FRN that priced at BBSW+125bp (3bp through +128bp area guidance).

National Bank of Fujairah priced its USD 350m PNC5 AT1 on 24 September at a yield of 5.875%. Demand reached USD 1.2bn, enabling leads to pull pricing from 6%-6.125% guidance. IPT had emerged at low to mid 6s.

Royal Bank of Canada sold a GBP 1bn five-year floating-rate covered bond backed by Canadian residential mortgages at SONIA+58bp on 26 September. Books closed at GBP1.2bn. IPTs had been +60bp area.

Samba Financial Group priced a USD 1bn five-year senior unsecured offering on 25 September at MS+140bp, pulling in demand of above USD 3.25bn. Guidance had been MS+145bp-150bp and IPTs had gone out at MS+165bp.

Sumitomo Mitsui Financial Group priced a USD 1bn offering on 24 September split into a USD 1bn five-year that priced at T+95bp guidance (IPTs 110bp area) and a USD 500m 10-year that priced at T+110bp, the bottom of T+115bp +/-5bp guidance (130bp area IPTs). Use of proceeds are to extend unsecured loans, intended to qualify as internal TLAC, to SMBC (SMBC intends to use the proceeds of the loans for general corporate purposes).

Woori Bank priced its USD 550m PNC5 AT1 on 26 September at the final guidance yield of 4.25%, equivalent to a spread of T+266.4bp. Order of more than USD 2.3bn were in the book at reoffer from 122 accounts. Initial guidance had been 4.50% area.

(Source for basic bond data: Bond Radar (www.bondradar.com).

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