

Underwriters advised to build solid deal-marketing strategies



The news continues to throw out noisy headlines, from Brexit and US-China trade to Turkey/Syria, Lebanon, Barcelona, Chile and Q3 earnings. But they haven't really had a destabilising impact on the primary market. FIG issuance shows a risk-on tone.

The FIG primary market is in an interesting place. The narrative being pushed out there is that investors are happier buying in the frequent-issuer, large name universe. But the reality is that the roster of banks and insurers tapping the market is a mixture. It's certainly true that there's more pricing certainty in the big names, but was it ever thus?

Last week's Primary Market Talk had posed a question based on the bright start to the week in terms of trades being marketed as to whether the risk-on feel would persist. With the benefit of hindsight, it's clear that the answer is yes. But by the same token investors are not buying everything that's thrown at them. Underwriters need to lay the groundwork to be assured of success.

National champion names are doing fine. But so are less frequent or smaller issuers. The fact that Italian second-line names are able to access the market and get trades done tells its own story. UBI Banca tightened pricing by 22bp on its EUR 500m 5.5-year senior non-preferred on October 14 to MS+198bp. Credito Emiliano followed a few days later ratcheting pricing on its EUR 500m 6NC5 SNP to MS+180bp, 30bp through IPTs on a EUR 2.4bn book. Banco BPM was out marketing a senior preferred trade on 21 October and had generated demand of more than EUR 1bn by mid-morning at IPTs of MS+225bp.

Argenta Spaarbank was a casualty of the past week, giving the lie to the big-name story by pulling its no-grow EUR 500m SNP on 15 October. But it's important not to blow the story out of proportion. The issuer opted not to host a roadshow, hoping that the momentum it had built at the start of the year when it printed a senior preferred trade would stand it in good stead. Wrong. Some market participants put the hiccup down to a poor marketing strategy.

The sell-side noted that some investors still don't have lines for the name. The setback goes to show that issuers have to prepare for market conditions such as these where investors aren't desperately running after every trade. On the plus side, Bank of Ireland and Metro Bank both pulled trades in recent weeks and were able to re-think their access strategies and get trades over the line.

Worthy of note in last week's haul was La Mondiale's 10x covered EUR 500m PNC10 Restricted Tier 1 on 18 October, propelled by its attractive 4.375% yield. The insurer had gone out with IPTs of 5% and reportedly priced flat to its curve i.e. offered no pricing concession.

Also worth mentioning is the continuation of the green and sustainability theme: Credit Agricole printing a EUR 1bn green senior non-preferred six-year; Sparebanken Sor Boligkreditt selling a EUR 500m seven-year green and sustainability covered; Bank of America pricing a USD 2bn 6NC5 green bond, Bank of Montreal a USD 500m three-year SDG bond. NORD/LB Luxembourg is on the road with its new green covered bond framework while Shanghai Pudong Development Bank is roadshowing a dollar senior unsecured green bond.

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Summary of FIG debt issuance 14 October to 21 October (13:30 CET)

EUROPEAN BANKING GROUPS

Argenta Spaarbank pulled its no-grow EUR 500m seven-year senior non-preferred on 15 October even though books covered the issue size, reaching EUR 550m during marketing before demand started to evaporate ahead of final close. The spread had been set at MS+110bp, the level of IPTs, evidencing difficulty getting the trade done.

Banco BPM pushed out IPTs of MS+225bp area on 21 October for a long five-year euro benchmark senior preferred. Books were above EUR 1bn by mid-morning.

BPCE sold a EUR 1bn long seven-year senior non-preferred on 16 October at MS+78bp, the tight end of MS+80bp +/-2bp WPIR guidance, reportedly offering a high single-digit premium. The final book was EUR 2.6bn from 125 investors. IPTs had emerged at MS+95bp-100bp.

Credit Agricole tapped the market twice on consecutive days. It priced a USD 1bn 5.25-year senior preferred on 15 October at T+85bp; books reaching USD 1.8bn. Pricing was at the bottom of T+85bp-90bp guidance; IPTs were T+100bp. The bank also priced a EUR 1bn six-year senior non-preferred green bond on 14 October at MS+68bp; books reaching EUR 2.3bn. Pricing was at the bottom of MS+70 +/-2bp WPIR guidance' IPTs were MS+85bp-90bp.

Credito Emiliano priced a EUR 500m 6NC5 senior non-preferred, its debut in the format, at MS+180bp on 18 October, the book soaring to EUR 2.4bn at MS+185bp-190bp guidance, partially because it is an infrequent issuer and hard to gain exposure other than in secured (covered) format. IPS had gone out at MS+210bp area.

Home Credit & Finance Bank, a Russian consumer finance company, mandated leads on 21 October to arrange roadshows in Europe, the US and Asia ahead of a potential dollar PNC5.25 AT1 via Eurasia Capital.

Landesbank Baden-Württemberg (LBBW) mandated leads on 21 October to arrange roadshows ahead of a potential benchmark euro PNC Apr 2025 or April 2027 temporary write-down AT1.

Insurer **La Mondiale** priced a 10x covered no-grow EUR 500m PNC10 RT1 on 18 October with a 4.375% yield, equivalent to a spread of 441.1bp. Pricing came at the tight end of 4.50%/- 0.125% guidance, which itself was through 5% IPTs. The issuer got the issue away with no NIP.

NORD/LB Luxembourg Covered Bond Bank mandated leads on 17 October to arrange roadshows to present its new green bond framework ahead of a potential no-grow EUR 300m short to medium term maturity bond.

Slovenian reinsurer **Pozavarovalnica Sava** pushed out IPTs of 4.00% area for its planned EUR 50m (minimum) 20NC10 Tier 2 Solvency II fixed-to-floating issue.

Sparebanken Sor Boligkreditt priced a no-grow EUR 500m seven-year green and sustainability covered bond backed by Norwegian prime residential mortgages on 17 October at MS+11bp (equivalent to a negative yield of -0.055%) with a negligible concession. Pricing was at the tight end of MS+12bp +/-1bp revised guidance. The final book was EUR 1bn at re-offer. Initial guidance had been MS+15bp area.

Sparkasse Hannover priced a no-grow EUR 250m 10-year mortgage covered bond on 17 October at MS+8bp. Pricing was at the tight end of MS+9bp +/-1bp WPIR revised guidance. Final books were EUR 550m (EUR 595m at price fix). Initial guidance was MS+11bp area.

Romania's **UniCredit Leasing Corp oration**, guaranteed by UniCredit SpA, priced a three-year senior unsecured on 15 October at MS+90bp, the bottom of MS+90bp-95bp guidance. Books hit EUR 650m. IPTs were MS+105bp area.

Volksbank – Banca Popolare dell'Alto Adige priced a EUR 300m seven-year covered bond backed by prime Italian residential mortgages, its debut, on 17 October at MS+48bp. The final book good at reoffer was over EUR 775m. Guidance had come out at MS+53bp area and IPTs at MS+60bp area.



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NON-EUROPEAN BANKING GROUPS

Chile's **Banco de Credito e Inversiones** pushed out MS+72bp-75bp guidance on its planned CHF 100m minimum six-year bond.

Bank of America priced a USD 4bn fixed-to-floating bond on 17 October split into a USD 2bn 6NC5 green bond that priced at T+88bp (IPTs had been T+105bp area) and a USD 2bn 11NC10 at T+113bp (IPTs of T+130bp area).

Bank of Communications mandated leads on 21 October for a three-year AUD senior unsecured benchmark FRN, pushing out IPTs of 3mBBSW+92bp area.

Bank of Montreal priced a no-grow USD 500m three-year senior unsecured bail-in-able sustainability bond at T+53bp, the tight end of T+55bp +/-2bp guidance. Proceeds will refinance loans and support investments in projects that support the United Nations Sustainable Development Goals. IPTs had been T+70bp area.

Bank of New York Mellon priced a USD 750m senior unsecured on 17 October at T+57bp, the tight end of T+60bp +/-3bp guidance. IPTs were T+75bp area.

China Construction Bank (through State Elite Global) priced a USD 700m five-year FRN on 17 October at 3mL+77bp final guidance. Books reached USD 2.5bn. Initial guidance had been 3mL+105bp. The bank also sold a two-tranche dual-currency senior unsecured trade on 16 October split into a USD 1bn three-year FRN at 3mL+66bp (initial guidance of 3mL+95bp area) and a EUR 500m three-year fixed-rate tranche at MS+58bp (initial guidance of MS+70bp-75bp). The euro tranche drew EUR 800m of demand; the dollars, over USD 2.3bn from 56 accounts.

Canadian Imperial Bank of Commerce pushed out IPTs of SONIA+52bp on 21 October for a three-year sterling covered FRN backed by Canadian residential mortgages. Books had reached GBP 550m by mid-morning.

CITIC Securities priced a USD 700m senior unsecured offering on 17 October split into a USD 500m three-year at priced at T+127.5bp (the tight end of T+130 +/-2.5bp final guidance and through T+160bp-area initial guidance) and a five-year at T+142.5bp (the tight end of final guidance of T+145bp +/-2.5bp and through initial guidance of T+175bp area). Books reached USD 2.5bn from 79 accounts.

Citigroup sold a GBP 650m seven-year senior unsecured holdco note at G+140bp on 16 October. Guidance was G+140bp-145bp, and IPTs, +150bp area.

Industrial Bank of Korea sold a USD 600m offering split into a USD 300m three-year FRN at 3mL+45bp and a USD 300m five-year fixed-rate tranche at T+60bp, the tight end of T+60bp-65bp WPIR final guidance (IPTs of T+85bp area). The three-year drew demand of USD 1.65bn from 80 accounts; the five-year USD 1.55bn from 72 accounts.

PNC Bank sold a USD 750m three-year sub debt offering at T+100bp guidance; IPTs had been T+120bp area.

Shanghai Pudong Development Bank mandated leads on 18 October to arrange roadshows ahead of a potential US dollar senior unsecured green bond.

Sumitomo Mitsui Financial Group sold a EUR 1.25bn 10-year senior unsecured on 15 October at MS+65bp, the tight end of MS+65bp-70bp guidance. Books reached EUR 1.7bn. IPTs were MS+85bp area.

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

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