23 October 2020

Scope Insights – the debt capital markets continue to push out trades that are finding good traction in primary. That said, the market psychology is at an interesting juncture.

- **Investors with liquidity to put to work create a generally accommodating backdrop for new issues**
- **SSA, FIG, IG and HY corporate and EM segments all find support but market susceptible to bouts of risk-off**

Second-wave Covid-19 impacts and government measures to create circuit breakers continue to imbue the market with an underlying tone of caution that has led and will continue to lead to risk-off – around individual issuers or sectors – that can emerge very quickly.

Pushing against the caution is speculation about more US stimulus and the extension of various government support programmes as infections rise across Europe. Together, this has the effect of emboldening issuers to try their luck. Economic data releases have the power to support either tendency, depending on their content.

All of that said, nothing has really been off limits in the past couple of weeks as issuers from across the sovereign, supranational, agency and financials sub-sectors, investment-grade and high-yield corporates as well as emerging markets print trades for the most part with – at worst – modest price concessions. Underwriters starting out with generous initial price terms is, as ever, a tactic to build deal momentum rather than a sign of latent fears about a difficult market.

In a busy market and on a given day, some issuers have encountered pricing resistance and have been forced to price back of the tight end of pricing ranges, but in truth these are few and far between. Aftermarket performance for certain trades has also reportedly been lacklustre, but on both counts this is attributed less to idiosyncratic issuer-related factors; more to market technicals.

The European Union's inaugural social bond under its SURE programme was always going to be a marquee trade and the stand-out issue of the current week. Much has been made of the EUR 233bn of aggregate final demand for the EUR 10bn 10-year and EUR 7bn 20-year. But for a super hyped-up debut, the reaction was not particularly surprising. Especially with pricing that started out at MS+6bp/+17bp and ended up at an attractive – some would say cheap – +3bp/+14bp.

For more evidence of investors' healthy appetite, take Italy, which was able to generate demand of EUR 90bn for its EUR 8bn 30-year bond on 22 October; Greece, which built a EUR 16.75bn book for the EUR 2bn tap of its outstanding 15-year the day before, and the ESM which saw EUR 12bn in orders for its EUR 2bn deal that sneaked in ahead of the EU.

On the EU's formal social bond credentials, some are reserving judgement about the programme, although not to the extent of blanking this week's trade. On the basis that the EU financing would have happened anyway, there is no social additionality, but given that the programme is designed to mitigate unemployment, the bonds do have a clear social purpose.

The ESG capital markets have been on a tear in recent weeks. Beyond the EU, the past few days saw around a dozen and a half new issues price. From the SSA sector: Agence Française de Dėveloppement (SDG bond), Caisse d'Amortissement de la Dette Sociale (social bond), City of Paris (sustainability bond), Instituto de Crėdito Oficial (green bond), Asian Infrastructure Investment Bank (sustainable development bond) and Korea Development Bank (Covid-19 response bond).

In the corporate sphere, worthy of note in the ESG pipeline is Etihad Airways, which mandated leads for a Transition Sukuk. Enel, meanwhile, expanded its sustainability-linked programme with seven-year sterling bond; investors receive a 25bp coupon kicker if Enel's installed renewables capacity is below 60% at the end of 2022.

The real estate sector was represented by CA Immobilien, the Vienna-based office property developer, New Zealand's Argosy Property and Starwood Properties of the US. The FIG sector, meanwhile, saw issues from CIBC (green bond), Morgan Stanley (affordable housing), Woori Bank (Covid-19) and Shinhan Financial (SDG).

Talking of the FIG sector, subordinated supply continues to feature very strongly. Since the beginning of last week, the market has absorbed bank Tier-2 supply from Banco Santander, la Banque Postale and Arab National Bank and insurance supply from the UK's Pension Insurance Corp (Tier 2) and La Mondiale (Tier 3).

Deeply subordinated supply emerged from US Bancorp (preferred stock) plus AT1s from Quintet Private Bank, Bank of East Asia, China Everbright Bank, Commercial Bank of Dubai, Peak Reinsurance Co, and a debut RT1 from Unipolsai Assicurazioni.

Beyond solid support for financial subordinated debt, the corporate hybrid juggernaut continues rolling as seen in over-subscribed books for jumbo issues from Iberdrola, Veolia and COFCO Hong Kong. Investors in hybrids are clearly keen to buy into high-yielding exposure that hybrids offer at the same time as they strengthen issuers' balance sheets.

Summary of bond issuance: 12 October to 22 October (15:00 CET)

ESG ISSUANCE

Agence Française de Dėveloppement priced its debut SDG bond on 21 October, a EUR 2bn seven-year senior unsecured that priced at 27bp over the French government curve for a negative -0.0268% yield. Books closed above EUR 5bn. Pricing came at the tight end of +28bp +/-1bp WPIR revised guidance; initial guidance was +30bp area.

New Zealand's **Argosy Property** priced an NZD 125m seven-year senior green bond on 16 October at 195bp over mid-swaps.

Asian Infrastructure Investment Bank priced a GBP 800m Sustainable Development Bond due

15 December 2025 at G+33bp on 16 October, 1p through guidance. IPTs were G+35bp area. Books closed above GBP 2bn.

CA Immobilien priced a EUR 350m five-year senior unsecured sustainability bond on 20 October at MS+165bp, 10bp through guidance. Books closed over EUR 1.9bn at guidance. IPTs were MS+200bp-205bp.

Caisse d'Amortissement de la Dette Sociale (CADES) priced a USD 3bn senior social bond on 15 October at MS+28bp. Books closed over USD 4.75bn. IPTs were MS+30bp area.

The **City of Paris** priced a no-grow EUR 300m 25-year sustainability bond on 13 October at 21bp over interpolated OATs for a yield of 0.461%. Final books were a above EUR 780m. Guidance was +23bp area.

Enel priced a GBP 500m seven-year sustainability-linked bond on 16 October at G+100bp, drawing demand of more than GBP 2.8bn. There is a 25bp coupon step-up if the issuer's installed renewables capacity on 31 December 2022 is below 60%.

Etihad Airways mandated leads to arrange roadshows ahead of a potential unlisted five-year US dollar senior unsecured Transition Sukuk.

Getlink SE, formerly Groupe Eurotunnel, priced its 5NC2 senior unsecured green bond at 3.50%, the tight end of 3.50%-3.625% final guidance on 22 October, having pushed out 3.75% IPTs. Proceeds will refinance the company's EUR 550m 3.625% senior secured green notes due 2023, which hit their call date on 1 October.

India Green Energy priced a USD 325m 3.5NC3 senior unsecured green bond on 20 October at the final guidance yield of 5.375% (initial guidance was 5.875%). Proceeds will be used to subscribe to senior secured Indian Rupee-denominated non-convertible debentures to be issued by a static pool of 11 subsidiaries of ReNew Power Private Ltd.

Instituto de Crėdito Oficial priced its no-grow EUR 500m long five-year senior unsecured green bond at SPGB+7bp on 21 October. Books were above EUR 3bn prior to pricing. Guidance for the trade had been +9bp (equivalent to MS+26bp); IPTs were +12bp area.

Korea Development Bank sold a dual-tranche senior bond on 19 October split into a USD 500m three-year Covid-19 response social tranche that priced T+40bp final guidance (initial guidance was T+70bp area) and a USD 500m 5.5-year conventional tranche that priced at T+52.5bp final guidance (initial guidance was T+80bp area).

Starwood Properties priced a USD 300m offering of senior sustainability notes on 19 October at a 5.50% coupon, equivalent to T+532bp. Price talk was 5.50%-5.75%.

FIG BOND ISSUANCE

European issuers

Aareal Bank priced a no-grow EUR 500m short six-year mortgage covered bond at MS+1bp on 21 October, the tight end of MS+2bp +/-1bp WPIR revised guidance. Books closed over EUR 1.5bn. Initial guidance was MS+5bp area.

Banco Santander priced a EUR 1bn 10-year bullet Tier 2 on 15 October at MS+195bp. Books closed at EUR 1.5bn. Pricing came at the tight end of MS+190bp-195bp WPIR guidance. IPTs were MS+215bp area.

Banque Fėdėrative du Crėdit Mutuel priced a EUR 1.25bn long 10-year senior non-preferred bond on 14 October at MS+88bp. The final book was over EUR 1.8bn at reoffer, having reaching EUR 3bn in marketing. Guidance emerged at MS+90bp area; IPTs were MS+115bp area.

La **Banque Postale** priced a no-grow EUR 500m 10.25NC5.25 Tier 2 on 19 October at MS+138bp, through MS+140bp-145bp guidance. Books closed above EUR 2.4bn. IPTs were MS+170bp.

Bausparkasse Schwabisch Hall priced a no-grow EUR 500m 10-year mortgage covered bond on 15 October at MS+4bp (guidance was MS+8bp) for a yield of -0.267%. Books closed at EUR 1.9bn.

Caisse Française de Financement Local priced a EUR 750m 15-year public-sector covered bond on 13 October at MS+7bp. Final books were above EUR 1.6bn at reoffer. Pricing came at the tight end of MS+8bp +/-1bp WPIR revised guidance. IPTs were MS+11bp area.

Compagnie de Financement Foncier priced a no-grow EUR 500m 15-year mortgage covered bond on 19 October in the middle of revised guidance of MS+8bp for a negative yield of 0.024% at the 100.511 issue price and 0.01% coupon, to demand of more than EUR 1.1bn. IPTs were MS+12bp, revised to MS+8bp +/-1bp.

Crėdit Mutuel Arkea priced a EUR 500m 5.25-year senior preferred bond on 21 October at MS+50bp. Books closed over EUR 1.35bn. Pricing came 5bp through guidance; IPTs were MS+70bp area.

DZ Hyp priced its EUR 1bn eight-year mortgage covered bond at MS+2bp on 22 October, Orders reached EUR 2.5bn. The spread was at the tight end of revised guidance of MS+3bp +/-1bp WPIR. Initial guidance was MS+6bp area.

Iccrea Banca priced EUR 500m in 5NC4 senior preferred notes on 13 October at MS+275bp guidance. Books were above EUR 600m at guidance. IPTs were MS+280bp area.

La Mondiale priced a EUR 500m six-year subordinated Tier 3 offering on 14 October at MS+130bp. Books closed above EUR 5.2bn, enabling leads to pull pricing in from MS+185bp area IPTs, through MS+150bp area guidance.

The UK's **Pension Insurance Corporation** priced a GBP 400m 12-year Tier 2 on 15 October at G+330bp. The final book was above GBP 2bn. Pricing came at the tight end of G+335bp +/-5bp WPIR guidance. IPTs were G+355bp area.

Quintet Private Bank, a Luxembourg private bank formerly known as KBL European Private Bankers and owned since 2012 by Precision Capital, the Luxembourg-based bank holding company representing the private interests of members of the Al-Thani family of Qatar, priced a EUR 125m PNC5.25 AT1 on 16 October at 7.50%, the tight end of 7.50%-7.75% IPTs.

UnipolSai Assicurazioni priced a EUR 500m PNC10 RT1 on 20 October at a yield of 6.375%. If not called, the coupon resets every five years at five-year mid-swaps plus a margin of 6.744%. Books closed over EUR 1.3bn at reoffer, enabling leads to pull pricing in from IPTs of 6.75% area and guidance of 6.50% area.

Wustenrot Bausparkasse priced a EUR 500m seven-year mortgage covered bond on 13 October at MS+7bp. Final books closed above EUR 1.5bn at reoffer. Guidance was MS+11bp area.

Non-European FIG issuers

Agricultural Bank of China priced a USD 850m dual-tranche senior unsecured bond on 16 October split into a USD 500m three-year that priced at T+90bp final guidance; and a USD 350m five-year that priced at T+100bp final guidance. Books closed above USD 1.5bn from 69 accounts. Initial guidance was T+130bp area and T+140bp area, respectively. ABC also priced a HKD 5bn three-year that priced at the 1% final guidance yield. Demand was over HKD 12.6bn.

Agricultural Development Bank of China priced an offshore domestic currency senior offering on 20 October split into a CNH 2.2bn three-year that priced at a 3.05% yield (initial guidance 3.40% area); a CNH 1.5bn five-year that went at 3.25% (initial guidance 3.55% area) and a CNH 2bn 10-year at 3.80% (initial guidance 4.20% area). Combined books closed above CNH 14bn. All tranches priced at final guidance.

Arab National Bank priced a USD 750m 10NC5 Tier 2 Sukuk on 21 October at MS+290bp, through guidance of MS+300bp-310bp. Books closed above USD 2bn. Initial price thoughts were MS+325bp area.

Athene Annuity & Life Assurance Company priced a USD 600m three-year FA-backed senior bond on 13 October at T+103bp, upsized from USD 300m. IPTs were T+120bp area.

Bank of America priced a EUR 1.5bn 11NC10 fixed-to-FRN senior unsecured bond on 19 October at MS+95bp. Books closed above EUR 3.8bn. Pricing came at the tight end of MS+95bp-100bp WPIR guidance. IPTs were MS+120bp area.

The bank also sold a USD 8.5bn five-tranche senior unsecured bond on 16 October split into a 4NC3 USD 500m FRN at SOFR+73bp (IPTs +80bp area); a USD 2bn 4NC3 fixed-rate at T+63bp (IPTs +80bp area); a USD 2.5bn 6NC5 at T+88bp (IPTs T+105bp area); a USD 2.5bn 11NC10 at T+118bp (IPTs T+135bp area) and a USD 1bn 31NC30 at T+130bp (IPTs T+155bp area).

Bank of China Group, through Amipeace Ltd, sold a dual-trance senior unsecured offering split into a USD 400m five-year that priced at T+125bp (initial guidance T+165bp area) and a USD 500m 10-year that priced at T+160bp (initial guidance T+200bp area). Books closed above USD 3.7bn.

Bank of East Asia priced a USD 650m PNC5 AT1 on 15 October at a 5.825% yield. Demand reached above USD 3.1bn. Pricing was at the tight end of 5.875% +/-5bp WPIR final guidance (initial guidance 6.25% area).

Blackstone GSO priced a USD 500m long five-year senior unsecured bond on 16 October at T+350bp guidance. IPTs were T+370bp area.

Canadian Imperial Bank of Commerce priced a no-grow USD 500m five-year senior unsecured green bond on 19 October at T+63bp, the tight end of T+65bp +/-2bp guidance. IPTs were T+85bp area.

China Everbright Bank priced a USD 300m PNC3 AT1 on 20 October at a yield of 3.80%. Demand reached above USD 2.6bn. Initial guidance was 4.35% area.

China Minsheng Banking Corp priced a USD 500m three-year FRN on 16 October at 3mL+90bp. Books closed above USD2.2bn. IPTs were 3mL+135bp area.

Commercial Bank of Dubai priced a USD 600m PNC6 AT1 on 14 October at a yield of 6%. Books closed above USD 1.2bn. Guidance was 6.125%-6.25%; IPTs were 6.375% area.

First Bank of Nigeria priced a USD 350m five-year senior unsecured bond on 20 October at a yield of 8.875%. Books closed above USD 470m. IPTs were 9% area.

Franklin Resources priced a USD 750m 10-year bond on 14 October at T+90bp. Proceeds are to retire debt, including all or part of the USD 250m of 6.375% Legg Mason junior subordinated notes due 2056 and 5.45% junior subordinated notes due 2056. IPTs were T+105bp area.

South Korea's **KB Capital** priced a USD 300m five-year senior unsecured bond on 21 October at T+120bp, the tight end of T+120bp-125bp WPIR final guidance. Initial guidance was T+150bp area.

Morgan Stanley priced a EUR 1.75bn 9NC8 senior unsecured holdco trade on 21 October at MS+85bp, the tight end of MS+85bp-90bp WPIR guidance. IPTs were MS+110bp area. On 16

October, the bank priced a no-grow USD 1bn 5NC4 senior unsecured affordable housing social bond at T+55bp. IPTs were 70bp.

New York Life Insurance Company priced a dual-tranche FA-backed senior bond on 14 October split into a USD 500m three-year that priced at T+25bp (IPTS wereT+37.5bp area) and a USD 300m three-year FRN that priced at SOFR+36bp (IPTS SOFR equivalent spread).

Hong Kong's **Peak Reinsurance Company** priced a USD 250m PNC5 AT1 on 20 October 20 at a yield of 5.35% (final guidance). Initial guidance was 5.75% area.

Qatar Islamic Bank priced a USD 750m five-year Sukuk on 20 October at MS+155bp. Books were above USD 2.2bn. Guidance was MS+160bp-165bp; IPTs were MS+185bp area.

Royal Bank of Canada priced a dual-tranche senior unsecured bond on 21 October split into a USD 1bn three-year FRN at SOFR+45bp and a USD 1.25bn three-year fixed-rate tranche that priced at T+33bp. IPTs were T+50bp and the SOFR equivalent.

Shinhan Financial Group sold a USD 500m five-year senior social bond on 14 October at T+107.5bp to finance/refinance eligible projects under the issuer's Sustainable Development Goals Financing Framework. Books closed above USD 1.5bn from 100 accounts. Initial guidance emerged at T+140bp area.

Shuaa Capital priced a USD 150m three-year senior unsecured bond on 21 October at the final guidance yield of 7.50%.

Sumitomo Mitsui Financial Group priced a EUR 500m seven-year senior unsecured holdco offering on 21 October at MS+70bp, the wide end of MS+65bp-70bp WPIR guidance. Books reached above EUR 850m at reoffer, having been above EUR 1bn at one point. Investors clearly drew a line in the sand on the deal. IPTs were MS+85bp area.

Union Bank of the Philippines priced a USD 300m five-year senior unsecured bond on 16 October at T+195bp. Demand reached over USD 1.3bn across 117 accounts. Pricing came at the tight end of T+19bp-200bp WPIR final guidance. Initial guidance was T+230bp area.

United Overseas Bank priced an AUD 750m five-year senior unsecured FRN on 20 October at 3mBBSW+59bp. Guidance was +64bp area. Books closed above AUD 1bn from 41 accounts.

US Bancorp priced a USD 500m perpetual non-cumulative preferred stock offering (callable from 15 January 2026) on 20 October at the 3.75% revised guidance yield. The deal was upsized from USD 250m. Initial guidance was 4.00% area.

Woori Bank priced a dual-tranche floating-rate Covid-19 recovery sustainability Kangaroo bond on 15 October. The deal was split into an AUD 150m three-year that priced at 3mBBSW+72bp (guidance was +80bp area) and an AUD 250m three-year that priced at ASW+72bp (same guidance).

CORPORATE HYBRID ISSUANCE

Iberdrola priced a hybrid on 21 October split into a EUR 1.6bn PNC5.5 tranche that printed at a yield of 1.875% (the tight end of 2% +/- 0.125% WPIR guidance; IPTs were 2.25-2.375%) and a EUR 1.4bn PNC8.5 tranche that priced at a yield of 2.25% (the tight end of 2.375% +/- 0.125% WPIR guidance; IPTs 2.625%-2.75%). Books closed at EUR 3.5bn and EUR 2.6bn.

Veolia priced a hybrid on 16 October split into a EUR 850m PNC5.5 that priced at a yield of 2.25% (MS+270.6bp) and a EUR 1.15bn PNC8.5 that priced at a yield of 2.50% (MS+317.1bp). Books closed at EUR 2.3bn for the shorter call and EUR 3.3bn for the longer call tranche. Price guidance was 2.375% are and 2.625% area; IPTs emerged at 2.625%-2.75% and 3%-3.125%. Proceeds are to refinance, in whole or in part, the acquisition of 29.9% of the Suez shares from Engie.

CapitaLand Retail China Trust priced an SGD 100m PNC5 hybrid on 20 October at 3.375% yield; initial guidance was 3.625% area.

China Merchants Port Holdings Co priced a capped USD 200m tap of its perpetual non-call 9 October 2023 hybrid on 15 October at a yield of 3.35%. Book closed above USD 600m. Initial yield guidance was 3.45% area.

COFCO (Hong Kong) priced a dual-tranche hybrid on 16 October split into a USD 500m PNC5 hybrid that priced at the final guidance yield of 3.10% (T+279.9bp); and a USD 500m 10-year senior that priced a T+150p. Demand for the hybrid closed at above USD 1.6bn; books for the 10-year closed above USD 1bn. Demand hit USD 6.8bn during marketing.

Suntec REIT priced an SGD 200m PNC5 hybrid on 20 October at the final guidance yield of 3.80%. Books closed at SGD 399m across 27 accounts. Initial guidance was 4% area.

Source for raw bond data: Bond Radar (www.bondradar.com), company reports, media reports

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