Fixed income investors are searching for new pools of liquidity against a backdrop of a global economy transformed by central bank intervention and greater regulation. Investors, traders and bond issuers can use Bloomberg solutions to better navigate these changing times, spot opportunities and make money. This document provides a glimpse of how Bloomberg functions can help you.
The spectacular collapse in spreads of subordinated financial debt has been a rare blessing for a banking sector beset by increasing levels of regulation and demands for extra capital to back their activities.

Since Mario Draghi’s ‘whatever it takes’ speech in July 2012, investor appetite for fixed income, investment grade and high yield, continues to grow with ever-narrowing spreads the seemingly inevitable result.

The compression in spreads is even more marked when one takes a look at the Itraxx Europe Senior Financials. At about 70 basis points, the five-year index is a long way from the 300 basis points highs of 2012. Yet current swap rates, for instance five-year euro, are not even a quarter of what they were in 2007. This skews the risk/reward ratio for bond investors in comparison with the conditions experienced immediately before the crash.

The squeeze in investment grade spreads has prompted issuance in the high yield sector. While European CLO issuance has returned, the leveraged loan markets have encountered stiff competition from dollar loan markets (with issuance volumes at levels not seen since 2007) and the high yield bond market for market share. Issuers and private equity sponsors have favoured cross-border loan issuance and the bond market partly because of the more relaxed covenants available.

In April’s bumper Numericable deal, the balance of the initially proposed structure was reweighted in favour of bonds, as demand from bond investors was significantly more than demand for the euro-dominated covenant-light loans.

THREATS TO BANKS AND MARKETS
The issuance of subordinated debt has become easier as the continued low yield environment drives investors towards ever more risky assets. Last year’s banking problems in Cyprus gave an early indication of the environment that subordinated bond investors will face following a collapse of a bank. The term ‘bail-in’ has become far more popular at Europe’s central banks and ministries of finance, but from the evidence of collapsing spreads it would appear that Europe’s investors have discounted any fears they may have had.

BANK SYSTEM EXPOSURE TO SOVEREIGN RISK
While there may be some concerns regarding how low ‘risky’ market spreads have fallen, the Bundesbank has been flagging the issue of bank exposure to supposedly ‘risk-free’ government bonds. As recently as April 7, in a speech given in Amsterdam, president of the Deutsche Bundesbank, Jens Weidmann, called for banks’ holdings of sovereign bonds to be adequately risk-weighted, and exposure to individual sovereign debt to be capped. The history of Italian banks’ exposure to the Republic of Italy for example is shown below with a small decline possibly caused by LTRO repayments.
GLOBAL ECONOMIES ON RECOVERY PATH

Sovereign debt has become more about yields reflecting a potential policy rate rise in the U.S. and much less about credit quality of nations, particularly within the euro-area. Leading the recovery charge is the U.K. Even in Europe, PMIs have now entered positive territory albeit somewhat tentatively.

The euro-area countries emerged from recession at the end of 2013 with further growth forecast through to 2015. U.K. growth has been more marked with interest rate increases now expected in 2015 by economists and backed by probability calculations using options on euro-sterling futures.

In the U.S. growth has faltered in part because of the severe winter weather. Yields of the 10-year U.S. treasury bond are still close to their recent lows with the Federal Reserve continuing to buy $25 billion per month of U.S. Treasuries.

This source of market support is being slowly tapered, removing a prop for the market at a time when economic data is increasing the probability of future rate increases. The question in many minds now though is whether the world’s bond markets have finally reached an end to the 30-year bull run.

REGULATORY LANDSCAPE

The European Market Infrastructure Regulation, Markets in Financial Instrument Directive II and the Capital Requirements Directive IV are just a sample of the extra legislative burden that banks are now facing. Lurking within legislation originally designed to alleviate counterparty risk and a perceived lack of transparency in derivative markets is a potentially huge threat to Europe’s bond markets.

The Internal Market and Services Commission who originally crafted MiFID II slipped in proposals to regulate transactions in all OTC financial instruments, not just derivatives. This has extended the directive’s reach and requirements for order book trading to OTC bond markets wherever liquidity and depth of market permit. The original MiFID enabled equities to be quoted away from their home exchange but otherwise simply codified existing best practice regarding central limit order books (CLOB), a form of trading that was natural for equity markets.

Since the passing of MiFID in 2004, markets in bonds have shifted towards electronic platforms, primarily on a request for quote (RFQ) basis, befitting the more fragmented, episodic and heterogeneous nature of trading in fixed income instruments, particularly corporate bonds. Domestic sovereign bond markets come closest to equities in terms of liquidity and homogeneity and could possibly handle a CLOB trading model. There are 13,166 equities listed on European exchanges, many of which trade regularly through the day and have willing buyers and sellers sufficient to support an order-driven market. There are 119,372 European bonds currently outstanding with an original maturity of greater than two years. One has to go back to 2001 to find a year where the annual issuance in the European bond market fell below the total number of equities in existence.

As of May 1, 2014, 25,136 bonds have been issued this year, many of which will be held to maturity. This is the kind of market that lends itself to a mixture of electronic and voice trades, mainly quote-driven. Forcing the OTC bond market down a CLOB path could severely restrict liquidity as banks may be less willing to expose their trading books to a level of transparency that may make it more difficult to trade out of a position taken to assist a customer’s investment aims.

At a time when bank balance sheets are being squeezed, potentially throttling corporate lending, now might not be the best time to conduct such a far-reaching experiment.
TRACKING EUROPEAN BOND ISSUANCE TO REFINANCE LOANS

European high-yield issuers are taking advantage of record low rates in the bond market to refinance loans more cheaply. Bloomberg equity screening functionality monitors corporates with outstanding bank loans and no bonds.

Public Power Corporation was on a European roadshow April 25-29 to sell bonds for debt refinancing. Grupo Isolux did a similar transaction in March, taking advantage of the investor hunt for yield in the bond market as banks slash balance sheets.

Run (FICM<GO>) and use the drop-down at top left to change currency to ‘EUR’. At the top right of the screen, select ‘Custom’ from the drop-down to the right of ‘Historical Range’ and set the start date as 01/01/12 and hit <GO>. The spread for ‘All Cash Bonds’, represented by the blue ball, is at its tightest since the beginning of 2012. Click on a sector for individual issuers and average OAS. Click again to view details at security level.

As European banks review credit exposure to pass the ECB’s quality asset review, a number of corporates have already refinanced loans with new bonds. To monitor corporates with outstanding loans and no bonds run (EQS<GO>). From the ‘Selected Screening Criteria’ table at center, click the red circle to the right of ‘Trading Status: Active’ to remove. Using the amber ‘Add Criteria’ field, narrow down the search by issuer type, rating, geography and other variables.

For new bond issuance run (NIM<GO>) and use the ‘Selection’ drop-down menu on the top left to see a particular market. For a more tailored search, click the grey ‘Show Filters’ button and use the menu to narrow search. To save this select ‘Save As...’ from the ‘95) Actions’ drop-down menu. The red toolbar can also be used to set ‘Alerts’ and ‘Export’ will send data to Excel.

To contact the author of this (FFM<GO>) article, published 25 April, 2014: Nazzareno Virdo at +44-20-7330-7573 or nvirdo@bloomberg.net
EXECUTING CORPORATE BOND TRADES IN REDUCED LIQUIDITY MARKETS

Corporate bond issuance fell to the lowest level in five years in August as companies shelved funding plans amid the turmoil triggered by treasury yields. Bloomberg’s new ALLX function helps traders increase the probability of execution by filtering dealers based on their own historical execution data.

Type ‘ORAFP<CORP>’ in a Bloomberg screen and hit <GO> to load all the corporate bonds issued by Orange SA. Click on the bond with the maturity date of ‘09/03/2018’, and choose ‘ALLQ Composite Quotes’ from the menu. Then select the ‘34) ALLX’ tab.

Drag the slider under ‘HR Ex%’ to 45 percent.

In the image at right, the screen shows that for this specific bond, four of the seven dealers have had more than 45 percent of tickets executed versus attempted.

Click on the ‘97) Settings’ tab on the right-hand side of the screen. Select ‘ALLX Settings’. In the ‘2nd Criterion’ field, select ‘3) D/Quit%’. Hit ‘1) Save’ to go back to the main screen.

Change the ‘D/Quit%’ cursor to 55 percent. This option filters out dealers who frequently let trade requests expire or send a rejection.

In this example, three of the seven dealers have an expiration or rejection rate of less than 55 percent.
Near the top of the screen, under ‘View Options’, tick the box next to ‘Split Bid/Offer’. This will bring up an order book style view, showing the best bid and offer on the same line, with attributed dealers on each side.

Dealer D1 is in magenta as it is showing a firm price. Dealer D1 has the best bid, or highest price, while Dealer Q1 has the best ask, or lowest price. Excluding Dealer D1, Dealer D3 has the best bid price.

More detailed information on ALLX can be found in the {BPS L#2232029-ENG<GO>} – ALLX Fact Sheet.

To contact the authors of this (FFM<GO>) article, published 27 September, 2013:
Ravi Sawhney at +44-20-7073-3037 or rsawhney2@bloomberg.net
Yedau Ogoundele at +44-20-3216-4008 or yogoundele3@bloomberg.net
ASSESSING THE DIVERGENCE IN SOVEREIGN DEBT RATINGS

The Netherlands joined the list of countries that have lost their ‘nine A status’, while some emerging markets countries have been upgraded by ratings agencies. Bloomberg functions help analyse which countries are the winners and losers in the shifting ratings map.

Run (CSDR<GO>) to see the recent changes in sovereign debt ratings. Select ‘Global’ using the dropdown at the top left of the screen. Filter the list by entering ‘AAA’ in the orange fields below Moody’s, S&P and Fitch. The only remaining nine A countries are Denmark, Finland, Norway, Canada and Luxembourg.

The Netherlands lost this status in November, following the U.S., France and the U.K. For a deeper analysis of the rating migration, use the (SRCH<GO>) Fixed Income Search tool.

Near the top of the screen, click the button next to ‘Criteria’. Type ‘Sovereigns’ in the field next to ‘And’ and select ‘Sector/Industry Group (Sovereigns)’ from the list. Click on the grey ‘99) All Fields’ button on the next line and expand ‘Advanced Analysis’. Select ‘S&P Rating’, and then using the drop downs, select ‘Moved down’, ‘Greater than or equal to’ and set it at 1 level. Select ‘over the past year’ using the drop down and click on ‘1) Update’.
Click on ‘1) Results’ at the mid right of the screen.
Group by country, using the drop down at the top right of the screen.
Ukraine has been downgraded three notches by S&P, while Venezuela was downgraded by two notches. Among developed markets are France and Italy.

Repeat the same process for a new search, this time for bonds that have been upgraded by at least one level by Moody’s. Select ‘Moody’s rating’ and then choose ‘moved up’ ‘greater than or equal to’ 1 level. Select ‘over the past 6 months’ and click on ‘1) Update.’

Mexico and Paraguay have both been upgraded by one level by Moody’s. Greece, Ireland and Spain are the three developed countries that have been upgraded by Moody’s over the past six months.

While the average credit ratings in the developed world stabilised in the past year, the rating performance of developed economies has been mixed.

To contact the author of this article, published 30 April, 2014: Yedau Ogoundele at +44-20-3216-4008 or yogoundele3@bloomberg.net
FUNCTIONS FOR THE MARKET

TRACKING SEASONALITY IN BLOOMBERG’S ECONOMIC SURPRISE INDEX

The Bloomberg U.S. Economic Surprise index began this year at its weakest in five years. New charting tools allow users to compare the trend in economic surprises with previous years and to show the lack of market reaction of asset prices to trends in economic fundamentals.

Type ‘Bloomberg Surprise’ and choose the Bloomberg U.S. Economic Surprise Index from the autocomplete suggestions. Click SEAG on the menu to show a seasonality chart (or run (ECSURPUS Index SEAG <GO>)) as a shortcut). The index hit minus 48.60, the lowest it has been this early in the year for any of the previous five years.

To analyse the surprise index versus five-year U.S. interest rates, run ‘Graph Price’ (GP <GO>). Change the time period of the chart to five years. To overlay five-year yields on the same chart, click on the ‘Security/Study’ button and hit ‘Add Security’. Type in ‘GT5 Govt’ to find the generic five-year treasury.

The Economic Surprise index suggests that economic analysts tend to underestimate both the uptrends and downtrends in economic data releases, often signaling the direction of the business cycle and changes in asset prices.

The recovery from the 2007-09 recession has been the slowest in the last 40 years, so the drop in the Eco Surprise index five years into the recovery was all the more disturbing.

That treasury yields are not responding to changes in economic expectations speaks to the impact of the Fed’s aggressively accommodative monetary policies, the global demand for safe-haven assets and perhaps, most recently, expectations of a prolonged recovery.

To contact the author of this [FFM<GO>] article, published 14 April, 2014: Raymond Johnson at +1-415-617-7014 or rjohnson3@bloomberg.net
FUNCTIONS FOR THE MARKET

ANALYSING HOW ECB RATE DECISIONS IMPACT BUND FUTURES
Bloomberg’s new Market Impact Monitor shows how markets react to the release of an economic indicator. The function works on any index on the Economic Calendar and any market indicator, such as the 10-year Bund future.

Type ‘ECB MAIN’ and select ‘ECB Main Refinancing Rate’ from the auto-complete list. Then run (ECMI<GO>).
Type the generic Bund future ticker ‘RX1 Comdty’ into the ‘Comparison Security’ box.
The picture to the right shows the time span set to one hour after each of the ECB decisions for the last six months and uses standard deviations as the measure.

The chart shows the average, upper and lower bounds of the Bund future and each individually selected release date — the latest release on March 6 is shown in grey.

Fifty minutes after the last ‘unchanged’ rate decision the Bund future dropped more than 1 standard deviation compared with the average reaction, which is relatively unchanged (white dotted line).

To contact the author of this (FFM<GO>) article, published 3 April, 2014: Jens Gillmann at +49-69-92041-150 or jgillmann@bloomberg.net
FUNCTIONS FOR THE MARKET

TRACKING EMERGING MARKET BONDS AS RUSSIAN SANCTIONS BITE

Fixed income investors have reduced exposure to Russian corporates in anticipation of a more difficult trading environment. Bloomberg tools show the move in yields is relatively small compared with the impact of Fed tapering.

Run \( \text{FICM}<\text{GO}> \) for Bloomberg’s Fixed Income Credit Monitor and select ‘US Dollar’ from the top left drop-down, then click on the ‘Emerging Markets’ tab. The page monitors the real-time performance of cash bonds by comparing credit spreads across sectors. The screen highlights which sectors are moving the most within the day.

Click on ‘All cash bonds’ to see a time series of the spreads.

The screen shows the weighted average option-adjusted spread for all emerging market bonds tracked within \( \text{FICM}<\text{GO}> \). Set the range to one year. Emerging market bonds widened substantially mid-2013 as expectations grew of rising interest rates in the U.S. In comparison, recent volatility in late February and early March linked to the Russia/Ukraine crisis has been more modest, suggesting little contagion across all emerging market bonds.
Hit the Menu key to go back and drill down into a sector. Click on Materials a sector with a large presence of Russian corporates and use the ‘Chg’ column to sort by. The screen will show the bond issuers that have widened the most on the day. Most of the names that widened the most on any given day during late March were Russian companies. Repeating the exercise for Financials (Sr) also reveals a similar picture, suggesting increasing investor concerns around Russian exposure.

To put the current spreads for any corporate in context, click on the name to view their individual bonds. For example, click on Severstal OAO, a Russian steel-maker and mining company. (FICM<GO>) tracks four different bonds issued by the company. The screen shows the bonds are currently trading much wider than the average of the past month, having widened by between 70 and 180 basis points depending on the bond and tenor.

To contact the authors of this (FFM<GO>) article, published 31 March, 2014:
Pablo Castro at +44-20-7073-3463 or pcastro4@bloomberg.net
Darya Dyachenko at +44-20-3525-8203 or ddyachenko2@bloomberg.net
FUNCTIONS FOR THE MARKET

ANALYSING U.S. CORPORATE BOND ISSUANCE IN EUROS

U.S.-based non-financial companies account for 16 percent of European bond issuance this year, up from 6 percent in 2012 and the recent high of 8 percent in 2009. Bloomberg’s New Issue Analytics tool shows that proceeds are most likely being kept in euros to fund European operations of U.S. multinationals.

To find Microsoft bond issue, type ‘Microsoft’ at the top of a screen and pick ‘MSFT Corp’ from the autocomplete selections. From the bond list, select the 1.625 percent coupon issue due 12/06/2018 and type NIA <GO> to show the yield curve (or run the shortcut {MSFT1 12/06/18 Corp NIA <GO>}). The amber fields in the ‘Pricing & Spreads’ table show where Microsoft bonds are currently trading.

NIA shows whether cross currency funding opportunities exist for issuers like Microsoft. The last line of the ‘Pricing & Spreads’ table shows Microsoft trading 25 basis points over the swap curve for a five-year issue in dollars. Above the chart, select tab 4) Cross Currency Tab. When swapped back into dollars, the cost of financing in the European market is higher, at 42 basis points.
FUNCTIONS FOR THE MARKET

To compare the cost of raising dollars and swapping to euros, type Microsoft on the command line and pick ‘MSFT Corp’. From that bond list, select the MSFT 2.125 percent coupon issue due 12/06/21, then type NIA<GO> (or run {MSFT 2 12/06/21 Corp NIA<GO>}).

In the second amber box in the second line, click the drop-down to change ‘Mty Type’ to ‘Bullet/Make Whole Call’. Compare the five-year part of the curve in the 4) Cross Currency Tab to show where the funding opportunity exists.

It is most economical for Microsoft to issue in dollars and swap back to euros, where the cost of funding is 10 basis points compared with 42 basis points to bring Euros back to dollars.

To contact the author of this FFM<GO> article, published 10 December, 2013: Thomas Cullum at +1-212-617-7048 or tcullum12@bloomberg.net

CONSTRUCTING CURVES TO ANALYSE SECTOR YIELD CHANGES

Russian corporates’ funding costs have increased as a result of the crisis in Ukraine. Bloomberg tools can quantify sector-wide yield movements over time. They show the short-term cost of foreign borrowing for Russian financial institutions has increased substantially year to date.

Run SRCH<GO> to create a bond search for the sector. Add ‘Russia’ as ‘Country of risk’ and ‘Financials’ as ‘Sector/Industry’. Add ‘USD’ as currency filter. To focus on investment grade bonds, add a ratings filter to only include bonds rated as investment grade by any of the major rating agencies.
Next, run the (CRV<GO>) function to create custom curves. Select ‘Fitted Curve’ as the methodology to be used together with the list of bonds identified in the previous step.

As a source for securities, choose the search you saved before. This list can be edited further now; securities added and removed; and the preferred pricing source chosen. Click ‘Next’.

Select your preferred regression or curve fitting method. The Nelson-Siegel model uses a long-term yield rate, curve slope, curvature and time-decay factors which generates a standard best-fit model widely used in academia and by central banks to calculate yield curve constant maturity points. Other commonly used models are also available. Click on ‘Next’, and save the curve with your preferred name. The curve is now stored and will be recalculated daily and available for future use.
FUNCTIONS FOR THE MARKET

To chart the curve, run (GC<GO>). Enter the name of the curve or click ‘Browse’ then the ‘Custom Curves’ tab. To track how the curve has moved over time, click on a preset period or create a custom time frame.

This example shows the short end of our custom ‘Russian Financials IG’ curve has moved by about 100 basis points, highlighting the increased short-term funding costs for Russian banks.

To contact the author of this (FFM<GO>) article, published 4 April, 2014:
Pablo Castro at +44-20-7073-3463 or pcastro4@bloomberg.net

ANALYSING LIQUIDITY OF CDS INDEX CONSTITUENTS

The U.S. CDS index rolled on March 21, replacing three constituents with more liquid names. Bloomberg index analysis and charting functionality show the difference in trading volume between new and old index names.

For the index of North American investment grade corporates, CDX.NA.IG, type ‘CDX IG’ and select ‘CDX IG S22 5Y’ from the auto-complete menu. The index rolls every six months.

Run (FIRV<GO>) for credit index relative value and click ‘54) Roll Chart’ at the bottom right of the screen. Then select the ‘33) Index Info’ tab.
The table at right shows issuers removed from the last series: Cigna, Cisco and Goodrich. To the left are the new constituents: Newmont Mining, Weyerhaeuser and Procter & Gamble. The main criteria for replacing index constituents is liquidity measured by DTCC volume. To analyse changes in DTCC volume for these names, use {G<GO>} to create a multi securities chart.

Select ‘1) Create Chart’ from the red tool bar at top left and select ‘Standard chart’ from the options, then click ‘1) Next’.

Type “Cisco CDS” in the first ‘Security’ field at top left and from the auto-complete select ‘CSCO CDS USD SR 5Y Corp’. Type ‘DTCC’ in the ‘Data Field’ box and select ‘DTCC Net Notional’.

Click ‘Add Security’ in the lower part of the screen and repeat the same process for Newmont 5Y CDS. Click on ‘2) Finish’ at the bottom right of the screen.

The chart shows that Cisco DTCC net volume has dropped to $360 million from $428 million in September. Newmont liquidity increased to $625 million in the same period.

To contact the author of this {FFM<GO>} article, published 21 April, 2014: Yedau Ogoundele at +44-20-3216-4008 or yogoundele3@bloomberg.net
ANALYSING EUROPEAN BANKS’ SUBORDINATED DEBT

Issuance of subordinated debt by European banks has increased as investors seek returns in a low-yield world. Use Bloomberg tools to track issuance of these bonds and understand how investors are pricing bail-in risk as the European Union discusses a common resolution procedure for troubled banks.

To track issuance, run (SRCH<GO>). Click on ‘11) Asset Classes’ and tick the boxes next to ‘Corporates’ and ‘Governments’. Hit Update. Then click on the circle next to ‘Criteria’. In the amber box under ‘Field’, type ‘Banking’ and select ‘Sector/Industry Group (Banking)’ from the options available.

In the second amber box, type ‘Payment’ and select ‘Payment Rank’ from the autocomplete options. Set the ‘Boundaries’ column to ‘1) Include’. In the amber box under ‘Selected Criteria’, type ‘Sub’ and choose ‘Subordinated’, ‘Jr Subordinated’ and ‘Sr Subordinated’ from the options. In the third amber box, enter ‘Issue Date’. Choose ‘In the range of’ and set the dates as ‘01/01/2011’ and ‘12/31/2013’. Finally, choose the ‘Country of Risk’ to include ‘Western Europe’.

The screen shows the number of securities issued every year, by country of incorporation of the issuer. To view the amount issued, on the right-hand side, set the ‘Cell is’ to be ‘1) Sum’ and ‘of’ to be ‘1) Amount Outstanding’. The screen shows issuance volume in 2013, at 58 billion euros, was almost double that of 2011.
Remove the dates filter. As these bonds can contain different features in terms of optionality and maturity, making comparison difficult, exclude bonds that are convertible, callable or perpetual. This is done by adding a line with ‘Maturity Type’ that excludes these bonds.

Removing these instruments focuses the search on more vanilla, ‘Tier 2’ capital bonds, which are available for bail-in before senior unsecured bondholders. To capture the more liquid bonds, add a ‘Pricing Source Count’, or number of pricing sources, of at least six and an ‘Amount Outstanding’ of at least 500 million euros. Set the ‘Currency Conversion’ to ‘EUR’. Under ‘Relative Value and Performance’, click on ‘4) Rich/Cheap Analysis’.

The screen opens the search results in the Fixed Income Worksheet, or (FIW<GO>), function.

Click on the grey ‘22) Graph’ tab at the top of the screen and group by ‘10) S&P Rating’. Set the ‘Plot’ fields to ‘Yield’ versus ‘Maturity’.

In the legend on the right-hand side, click on the boxes under ‘R’ to draw curves for the relevant group.

On average, bonds rated BB+ returned between 100 and 150 basis points more than those rated BBB. Bonds rated BBB are ‘Investment Grade’ and are two notches higher than BB+. The yield differential between bonds rated A and those rated BBB is smaller.

To find the exact value of a specific maturity point of the curve, click on ‘Interpolate Curve’, select the curve and enter the desired maturity.

For intraday and historical spreads on bank subordinated debt, see Bloomberg’s Fixed Income Credit Monitor, (FICM<GO>).

To contact the author of this (FFM<GO>) article, published 2 January, 2014:
Pablo Castro at +44-20-7073-3463 or pcastro4@bloomberg.net
MONITORING NEWS, SENTIMENT ON BANKS UNDER ECB SUPERVISION

The European Central Bank will directly supervise about 130 euro-area banks from November 4 under the Single Supervisory Mechanism, or SSM. Use Bloomberg tools to monitor news flows and sentiment changes on these banks in real-time.

Type ‘ECB SSM’ on the command line and choose ECBLBST Index from Autocomplete suggestions. Then run CN <GO> to pull up company news on each of the constituents of the index. Click the drop-down menu next to ‘Sort By’ and select ‘8) News Heat User Activity’ to rank the list by banks with the biggest increase in news readership among the Bloomberg Professional community.

On Feb 26, PKO Bank Polski SA was the only bank with a user activity score of four, an indication of investors’ interest in the news that Credit Suisse raised PKO’s price target to 36 zloty from 30 zloty.

The ‘Sort by’ menu allows for the information to be sorted in different ways, including ‘Worst Performers’ and ‘Best Performers’, which then ranks the banks by the percentage change in the past eight hours.

To be alerted on sudden changes in news sentiment on the 130 banks under ECB supervision, run (ALRT<GO>) and select the grey ‘16) Create Advanced Alert’ tab at the top of the screen. Under ‘Step 2. Select Securities and Settings’, change the ‘Source’ to ‘Equity Index’ and type ‘ECBLBST’ in the amber box next to ‘List’. Under ‘Step 3. Select Alert Criteria’, click on the ‘+’ sign next to ‘23) News’ to expand the selections, and choose ‘News Sentiment’.

Set a level of preference for the sentiment and click ‘1) Update’ to save the alert to your profile. If creating an alert for the first time, click on the red ‘1) Create Alert’ tab at the top of the screen.
Setting a ‘Strongly Negative’ sentiment preference will trigger a pop-up alert when potentially negative news above that threshold is detected by Bloomberg’s proprietary sentiment algorithm.

For the Single Supervisory Mechanism schedule:
To monitor news about ECB officials, including developments on the Single Supervisory Mechanism: (NI ECBSPEAK KEY <GO>)

To contact the author of this (FFM<GO>) article, published 6 March, 2014:
Claudia Quinonez at +44-20-3525-8367 or cquinonez1@bloomberg.net
ANALYSING TRENDS IN THE EUROPEAN LEVERAGED FINANCE MARKET

Refinancing activity has dominated issuance in the European leveraged finance market in 2013 and the early part of 2014. Bloomberg’s Fixed Income Search shows European issuers and private equity sponsors have increasingly been able to issue loans and bonds in dollars as well as euros.

Run (SRCH <GO>) for the Fixed Income Search. Click the ‘Criteria’ button and in the amber field search for bonds with country of risk within ‘Western Europe’, ‘S&P High Yield Rating at Issue’, excluding the ‘Banking’ sector.

Select option ‘2) Issuance Table’ to analyse historical high yield bond issuance.

The Issuance table is a pivot table allowing for analysis of historical issuance trends.

Western European high yield bond issuance jumped to almost 98 billion euros last year from 51.6 billion euros in 2012. U.S. dollar issuance of high yield bonds by European companies has increased strongly again in 2014, with 18.4 billion euros worth issued already so far.
Run \((\text{LSRC} \text{<GO>})\) to run the Fixed Income Search again, this time filtered to see only loans. Set up the search as displayed for ‘Institutional Loans’ with Western European risk. To capture senior leveraged finance loans, filter for ‘Sponsor led’ loans, or loans with ‘Use of Proceeds’ including LBO, acquisition, mergers, secondary buyouts and ‘1st Lien’ loans.

Select ‘2) Issuance Table’ to split the loans into currency columns. The dollar issuance of leveraged loans has increased to a third of all issuance in 2014. Selecting ‘Loan Use of Proceeds’ as the columns would show that refinancing activity remains the key driver of issuance, despite large merger deals such as Numericable and Ziggo.

A lack of new deals combined with the ability of issuers and private equity sponsors to tap the bond or loan markets both in euros and dollars has contributed towards downward pressure on pricing.

Change the ‘Issuance Table’ frequency to quarterly and select to display the ‘Average of Current Margin’. This allows for an analysis of average pricing of senior leveraged loans. In the last two quarters, average margins on euro-denominated leveraged loans have dipped below 400 basis points, converging with pricing on dollar tranches.

To contact the author of this \((\text{FFM<GO>})\) article, published 21 May, 2014:

Stephen Walmsley at +44-20-7673-2321 or swalmsley@bloomberg.net
ANALYSING EUROPEAN COVENANT-LIGHT LOAN

European companies are taking advantage of looser covenants in the U.S. market by increasing issuance of dollar-denominated loans. Bloomberg loan functionality allow for analysis of covenant-lite loans.

Run (LSRC<GO>) to search the loans database. In the amber field, type ‘is cov’ and use the auto-complete menu to select ‘Is Covenant Lite’ and hit . Type ‘ins’ in the next line and use auto-complete to add ‘Institutional Loan’, which excludes revolvers and term loan A tranches.

Click into the Issuance Table, select to view Loan Deal Name as Rows and Currency as Columns, as shown below.

Click on the EUR column header to sort for the deals with a euro currency component. Of all the deals with euro issuance, Ceva Sante Animale is the only deal without a dollar tranche. Bloomberg news stories note that a dollar tranche was originally planned but shelved in the face of high demand for the euro tranche.

Ceva Sante Animale is the first European Covenant Lite deal without a USD tranche.
As well as covenant-lite, other features of U.S. dollar loans are becoming more prominent in Europe as cross-border issuance activity increases. The Bloomberg news story on the Ceva Sante Animale highlighted that the term loans in the deal include a euribor floor, at 1 percent.

Run **(STNI EULOANS <GO>)** to find European loan market news, and **(BRIEF <GO>)** to subscribe to the Leveraged Finance newsletter.

Bloomberg’s Leveraged Finance BRIEF focused on the possibility of covenant-lite lending in January, and in March Bloomberg news reported on the first all-European covenant-lite loan deal, issued by Ceva Sante Animale.

To contact the author of this **(FFM<GO>)** article:
Stephen Walmsley at +44-20-7673-2321 or swalmsley@bloomberg.net
ABOUT THE BLOOMBERG PROFESSIONAL SERVICE

The founding vision in 1982 was to create an information services, news and media company that provides business and financial professionals with the tools and data they need on a single all-inclusive platform. The success of Bloomberg is due to the constant innovation of our products, unrivaled dedication to customer service and the unique way in which we constantly adapt to an ever-changing marketplace. The Bloomberg Professional® service is a powerful and flexible tool for financial professionals—whatever their needs—in cash and derivatives markets as diverse as equities, currencies, commodities, money markets, government and municipal securities, mortgages, indices, insurance and legal information. The Bloomberg Professional service seamlessly integrates the very best in real-time data, news and analytics.

In addition, Bloomberg users benefit from on-demand multimedia content, extensive electronic trading capabilities and a superior communications platform. Bloomberg customers include influential decision makers in finance, business and government. Business and financial professionals recognize the Bloomberg Professional service as the definitive tool for achieving their goals because it offers unparalleled assistance and functionality on a single platform for a single price.
Real Service from Real People When You Need It.
Our 24/7 industry-leading customer service teams in 160 countries around the world will help you fully leverage the analytics and data on the Bloomberg Professional service.
If you'd like to discuss any of the themes or talking points covered today, don’t hesitate to contact our team on bbg_fi@bloomberg.net

BEIJING
+86 10 6649 7500

DUBAI
+971 4 364 1000

FRANKFURT
+49 69 9204 1210

HONG KONG
+852 2977 6000

JOHANNESBURG
+27 11 286 1949

LONDON
+44 20 7330 7500

MOSCOW
+7 495 937 6770

MUMBAI
+91 22 6120 3600

NEW YORK
+1 212 318 2000

SAN FRANCISCO
+1 415 912 2960

SÃO PAULO
+55 11 3048 4500

SINGAPORE
+65 6212 1000

SYDNEY
+61 2 9777 8600

TOKYO
+81 3 3201 8900