

Institutional Investor
DEAL OF THE YEAR 1976

Fixed-income experiments in Asia

Client: European Investment Bank

Bankers: Morgan Grenfell (Singapore); Indo-Suez (Asia); DBS-Daiwa Securities; Trident International Finance; Bancom International; Development Bank of Singapore; Jardine Fleming & Co.; United Overseas Bank; Wardley

Does the Asian-dollar bond market truly exist?

Depending on whom one talks to, it is either real and viable, or a complete fiction. The believers in this market were given new ammunition when, at the end of last year, the European Investment Bank became the first non-Asian borrower to test it. EIB hoped to develop a modest source of debt capital in a part of the world more familiar with stocks and real estate than with medium-term, fixed-income securities.

In this relatively unsophisticated market, the \$20 million underwriting at 9 per cent, led by Indo-Suez and Morgan Grenfell (Singapore), proved difficult enough to sell locally. Some members of the all-Asian syndicate had never underwritten fixed-income securities before, and the rules of the Hongkong stock exchange had to be

amended so this issue could even be listed.

So this first probe by EIB into the Asian market wasn't an unqualified success. Reportedly, a very large part of the issue didn't meet the client objectives of local sale and ended up back in London. Nonetheless, the issuer was prepared to try once more to tap the fabled personal wealth of Southeast Asia. Early in October, it announced a \$30 million issue, with a maturity one year longer than the previous one. This time, however, the syndication was much different: No fewer than nine managing underwriters and 52 additional syndicate members went to work; although once again there reportedly was a backwash to Europe of a substantial amount of the issue. (By this time, Morgan Grenfell and Indo-Suez had split up their Asian partnership.)

The significance of these deals lay not in their partial success — and certainly not in their size — but in where they might lead. "We consider both deals educational exercises in a part of the world unfamiliar with fixed-income securities," says W. J. Hopper of Morgan Grenfell. "I think the exercise was successful, and did generate a lot of interest. We will now feel more confident bringing other issues of non-Asian institutions, which we've hesitated to do. This has been a significant extension of the Eurodollar market to another part of the world."

