BondMarker GlobalCapital

BondMarker detailed voting guide

We invite voters to award a deal a score between one and 10 in five categories. The detailed category descriptions are below.

We are also trialling a new category — Appraise the Leads — allowing you to rate the performance of the bookrunners on a deal, based on how well you feel they executed the deal given the borrower's needs and ambitions, as well as market conditions and investor relationships. Please see below for more information.

A few brief guidelines:

- You do not have to answer all categories. In our online survey, please tick N/A in any that you do not wish to answer.
- You can vote online or on your phone: we provide a specially tailored mobile-friendly web app for voting on the hoof.
- A zero rating means very poor, while a 10 is excellent.

Categories

Pricing:
Was the pricing level the right one to achieve the deal's aim? Did the pricing process run smoothly? The main considerations should be whether the deal offered pricing that struck a suitable balance between being good value for the issuer and good value for the investor and whether it fitted well with the issuer's existing curve and the sector as a whole. The issuer's needs and objectives should also be taken into account.

Maturity:
Voters should consider how suitable the tenor of the deal is for the issuer and for the market environment at the time of execution. Did the deal strike the right balance in going for the best possible maturity given the issuer's existing curve and its ambitions for its borrowing programme, while being mindful of demand on the investor side?

Investor distribution:
Did the deal meet with strong enough demand to meet the issuer's objectives and to ensure decent secondary performance, without suggesting that the issuer over-paid? Was it placed with the right kind of accounts for this borrower?

Timing:
Timing can be the difference between an excellent deal and a dog of a deal. The final decision to launch will always rest with the issuer but it will of course take guidance from its bookrunners. Choosing when to launch requires a complete understanding of market conditions, gauging the size and duration of certain windows, the performance of recent deals, likely activity from rival issuers in the next 24 hours and the impact of forthcoming policy events and key data points. Of course, successful deals can also be brought in the teeth of a market storm – these deals should be rated highly.

Performance:
Many factors determine how a deal performs in the secondary market but here we are looking specifically at the inputs of the issuer and the bookrunners and how they affect performance — so pricing, the order book, the timing of the deal, etc, rather than general market conditions that are out of their control. However, voters should also be mindful of scoring a deal very highly when it has not had to contend with any challenges due to benign market conditions.

Rate the leads
Given your knowledge of the borrower's objectives with this deal, investor perception of this issuer and general market conditions, how well do you think the leads executed the deal?
For example, in some situations you may consider that lead managers mandated by a very high quality and experienced issuer added less value than those mandated by, for example, a new issuer in the market.
So you may award the leads on a deal for an inexperienced issuer a higher score than those on a deal for an old hand, despite the outcome of the deal for the less experienced issuer being — on the surface — less impressive.

Detailed scaling guide

Below are some examples of situations where bonds would mark zero, five and 10

TIMING

0: The issuer and bookrunners have completely disregarded the state of the market and as a result, the deal has flopped. The bookrunners and issuer have failed to wait for a clear market and have launched on top of another similar deal from another issuer and as a result, one or both deals have suffered.

5: The deal has been sold and the pricing was considered adequate but it could have done better if the issuer and bookrunners had waited for a better window to launch. While the performance of the deal has been fair, it is probable that it would have been better had the leads and the issuer waited for more clarity around market conditions or for market congestion to clear.

10: The leads and the issuer chose the perfect moment to launch the deal — general market conditions were calm (or deemed good enough for launch), the market was clear of rival issuers, the investor base was hungry and ready for the issuer's paper. The result has been a smooth execution, a deal that is seen to be good value for the investor base and the issuer, and has performed well in the immediate aftermath.

Alternatively, the leads and the issuer saw a window of opportunity in tough market conditions and pulled off a very successful deal – one that transcended wider market volatility and poor performance elsewhere.

STRUCTURE/MATURITY

0: Choice of maturity/structure has severely hindered the deal to the point where appetite and immediate performance are very poor.

The choice of maturity went against recent trend, ignoring investor preference/feedback resulting in poor execution and a damaged marketplace that has become difficult for other issuers.

5: Choice of structure or maturity, while resulting in the deal being sold, may lack vision/ambition and does not necessarily capitalise on economic/financial/sector environment trends.

Although there is a reason behind the choice of maturity or structure, the end result could have been better through a different choice.

Though the strategy capitalises on some of the market's demands, the choice of maturity or structure meant execution was put at unnecessary risk.

The choice a safe one and the deal has gone to plan.

10: The deal has completely blown out at execution and has re-opened a part of the curve that hasn't been open for a while, or brought in investors that aren't normally active at that part of the curve.

PRICING

0: The pricing process was shambolic — it did not start with sensible IPTs, then guidance, and failed to draw in demand. As a result, it was a complete failure of pricing and communication.

Most likely the bookrunners ended up wearing this deal with it resulting in issuers being shut out of the market.

5: A fairly priced deal that had a reasonable and clear pricing process at the initial and guidance stages but one that could have been priced tighter/wider. Communication by the leads is considered adequate.

The issuer is likely to have been left with a deal that investors think could have been communicated better by the leads and issuer.

It is likely that the deal either underperforms or over-performs in the immediate secondary market.

10: An exceptionally well-priced deal — excellent communication by the leads and the issuer from the very start of initial price thoughts through to guidance through to final pricing.

One that perfectly strikes the balance between issuer and investor, leaving little room for excessive tightening. One that pulled in the issuer's curve and repriced the sector, opening the market up to a wider group of issuers. A deal that is considered to have the perfect fair value plus premium.

QUALITY OF THE INVESTOR DISTRIBUTION

0: The deal has failed to sell with the bookrunners holding the vast majority of the deal.

5: While the deal has been fully sold, the bookrunners have had to overly rely on leveraged accounts. Central banks and other 'official' accounts are largely absent.

Allocation was a straightforward and quick process. However, high turnover is expected given the lack of buy and hold accounts.

The book cannot be described as granular, and instead has a small number of big accounts involved.

10: The deal has been very heavily oversubscribed, with the order booked packed with central bank accounts, sovereign wealth funds, insurance, pension, corporations, retail accounts who are typically buy and hold. Allocation has proved tricky due to the level of demand. Low turnover is expected. The order book is very granular — i.e lots of high quality accounts involved.

PERFORMANCE

0: The deal has completely sold off in secondary, effectively shutting the issuer out of the market and causing severe difficulty for other issuers. The poor performance, as a result of the pricing rather than external market conditions, will have repriced the market for other issuers, making it more expensive for them. Alternatively, the deal has tightened excessively in the secondary market (indicating poor choice of initial pricing and a lack of understanding of market conditions). While this might be good news for the investors, it means the issuer has completely overpaid.

5: The deal has sold off slightly in the secondary market indicating either pricing that was overly tight, a poor choice of maturity or structure, a lack of market understanding etc. However, the result is not overly damaging for the wider market. There is noticeable movement in the book. Alternatively, the deal has tightened beyond two or three basis points in the immediate secondary market, indicating the issuer has slightly overpaid.

10: The bond has tightened slightly in the secondary market — typically by between one and three basis points — in the immediate aftermath of pricing. The pricing has remained very stable after pricing, with little or no movement in the book. A perfect deal for issuer and investor — an equilibrium has been achieved.

Alternatively, it could be a scenario where the leads dealt well with some exceptionally difficult aftermarket conditions and ensured a safe passage for the bond via the use of spot-on pricing, execution and communication.

APPRAISE THE LEADS

0: The leads made a total hash of this: the deal was atrociously executed. Borrower did not deserve this result.

5: This was a decent result for the borrower, but this issuer is highly experienced and the leads didn't add anything. I'm pretty sure my five year old nephew — or his hamster — could have run this execution and got the same result.

10: This could have been a really tough deal but the leads have added a great deal of value — such as bringing in new investors, allowing the issuer to fill out its curve, securing exceptionally good pricing, guiding the issuer through tricky market conditions, offering detailed and accurate reads of the market. Proof that syndicate and DCM can never fully be replaced by robots.