{ CAPITAL MARKETS AND FUNDING }

NINE RATED EUROPEAN ISSUERS DEFAULTED IN 2012

Nine rated European issuers defaulted in 2012, affecting debt worth $19.7bn, according to Standard & Poor's (S&P) annual *European Corporate Default Study and Rating Transitions*. Seven of the nine entities started the year with speculative-grade ratings, and there was one confidentially rated defaulter that was not rated at the beginning of the year.

The rating agency revealed that the annual corporate speculative-grade default rate in Europe was 2.22% in 2012, compared with 1.57% in 2011, 1.0% in 2010 and 7.69% in 2009. Overall, the default rate for all rated entities in Europe was 0.59% in 2012, compared with 0.35% in 2011, 0.18% in 2010 and 1.42% in 2009. No investment-grade entities defaulted in Europe in 2012.

Europe's financial companies were more likely to suffer rating downgrades in 2012 than its non-financial companies. Nearly 29% of the 544 European financial institutions rated by S&P were downgraded in 2012, while just 4% were upgraded. In contrast, 18% of the 650 European non-financial companies in S&P's database at the start of 2012 had lower ratings at the end of the year than they did at the beginning (including seven rated entities that defaulted), while 9% had higher ratings.

The weaker credit profiles of some sovereigns, as well as the economic and financial challenges that Europe is facing, contributed to the increase in downgrade activity among banks and insurance companies, said S&P.

{ HIGHLIGHTS OF THE *MERGERMARKET Q1 2013 M&A REPORT* }

THE STATS

$124.2bn
JPMorgan was the leading international financial adviser by deal value after advising on deals worth $124.2bn

$11.1bn
in inbound deals took place in Asia-Pacific (excluding Japan) in Q1 compared with a combined value of $9.5bn for the first quarter of 2012

$18.5bn
Value of deals that took place in Africa and the Middle East

$88.2bn
The aggregate outbound deal value for emerging markets was at its lowest level for an opening quarter in four years

69.6%
US private equity buyout deals contributed 69.6% of global buyout activity

2,547
deals worth $405.9bn took place globally in the first quarter of 2013, down 10.3% on the same period last year

{ AROUND THE WORLD IN 30 DAYS }

US LABOUR MARKET, ROMANIA AND INTANGIBLES

US labour market disappoints
Quantitative easing in the US is unlikely to be reduced in the short term because not enough new jobs are being created there, according to the Centre for Economics and Business Research. The United States Bureau of Labor Statistics said last month that the US economy created 88,000 new entries on the non-farm payroll in March. That result is significantly weaker than the 195,000 new positions expected by forecasters and could mean that the recent run of strong results may have stalled.

PayPoint Romania signs Ukash agreement
Retail-based cash and mobile payment operator PayPoint Romania has signed an agreement with Ukash that will enable Romanian consumers to use cash to make payments online. Ukash is an international e-money service based in the UK that allows consumers to exchange notes and coins for a voucher containing a unique code that is entered into a website when making a purchase. Romanian consumers will be able to purchase Ukash vouchers at any of PayPoint's 7,000 terminals in stores across Romania.

Tax scrutiny for intangibles
Multinationals are gearing up for greater scrutiny of their intangible assets in 2013. This is in light of changes that the Organisation for Economic Co-operation and Development is making to its transfer pricing guidance on intangibles, which are due to take effect next year. Global research undertaken by tax advisory firm Taxand reveals that 63% of respondents are anticipating that tax authorities will take a greater interest in intangible assets, such as patents, trademarks and copyrights, as a result.

ACCESS TO FINANCE IS STILL A TOP PRIORITY

Availability of finance continues to be a pressing issue for treasury teams, with half of delegates at the ACT's *talkingtreasury* event in late March citing it as their top priority. Improving systems was the next greatest concern, preoccupying 30%, while managing counterparty risk was a major concern for 8%. These were among the key findings of the event, which was held in London under the Chatham House Rule.

Encouragingly, 48% of delegates reported that raising funds was "somewhat easier" than it was a year ago, although that is probably because many treasurers tend to work for larger organisations, which find it easier to access finance. Speakers at the event agreed that if you worked for a big company, banks were "very much open for business". Feedback from representatives from the SME sector suggested smaller organisations could still find it difficult to get loans.

Bonds are the preferred source of funding, with 43% of delegates saying that they were "mainly reliant" on this method, compared with 30% who were mostly dependent on bank funding. Money market funds are the preferred investment option for surplus cash, favoured by 53% of delegates. Bank deposits were mainly used by 39%.

Despite treasury having greater prominence at board level, treasurers are still not fully integrated into business planning processes. Just 16% of delegates said they were fully integrated into business planning, with larger proportions revealing that they had an opportunity to review the business plan and provide input (43%), and that they get to see the plan, but too late for it to be changed (30%).

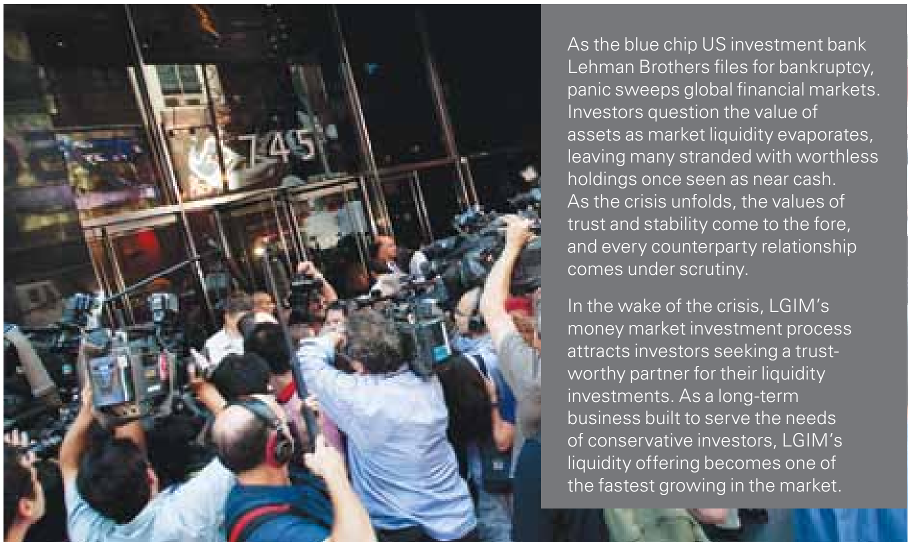
It seems that the treasury profession has not yet achieved the goal of establishing the 'strategic treasurer' as a concept since treasurers are often shackled by business-as-usual activities. In a poll of delegates, just 24% said they had sufficient time to devote to longer-term issues, with 39% admitting that they wished they could spend more time on them and a harassed 36% confessing they spent their time "continually fighting fires".

TWITTER CHATTER

Sydney Wechuli
@deadmanwechuli
Melody Gardot playing in the background, a copy of @thetreasurermag and my Sunday evening is set...

For the latest news and comment in the treasury world, follow us on Twitter **@thetreasurermag**

ON THIS DAY 15.09.08 **LEHMAN FILES FOR BANKRUPTCY – ITS SHORT-TERM DEBT PLUNGES 87%**



As the blue chip US investment bank Lehman Brothers files for bankruptcy, panic sweeps global financial markets. Investors question the value of assets as market liquidity evaporates, leaving many stranded with worthless holdings once seen as near cash. As the crisis unfolds, the values of trust and stability come to the fore, and every counterparty relationship comes under scrutiny.

In the wake of the crisis, LGIM's money market investment process attracts investors seeking a trust-worthy partner for their liquidity investments. As a long-term business built to serve the needs of conservative investors, LGIM's liquidity offering becomes one of the fastest growing in the market.

When the world changes, do you change with it?

Short-term investments require safe, stable, long-term partners.

LIQUIDITY MANAGEMENT

The LGIM liquidity offering is designed for institutional investors seeking an optimal solution for their cash management. We aim to deliver competitive returns with a high level of diversification, while focusing on capital preservation through portfolios of high quality, liquid assets.

Our cash capability is backed by one of the largest active fixed income teams in Europe. Altogether, more than 3,150 pension funds trust us to manage their assets (as at 31.12.12).

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