

Expressions of interest

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In *Insto's* 5th annual fixed income and credit research poll, Citigroup and Deutsche Bank continue to vie for top position as the most esteemed provider of fixed income research, sales and distribution. Citigroup emerges triumphant, however, reversing the 2002 result. Citigroup held its dominant positions in some of the credit research areas of the poll, although the 2003 results reveal that the bank's researchers have had tough competition from its closest rivals, Deutsche Bank, Westpac Institutional Bank and Commonwealth Bank of Australia.

Citigroup has been voted the most reputed research institution in each of the government, semi-government and corporate universes achieving top place by a comfortable margin.

However, Mark Rider, chief economist at UBS, snared the honour of best macroeconomic research provider, in a tough contest with rivals from Citigroup, Deutsche Bank, Credit Suisse First Boston (CSFB) and ABN AMRO.

Innovations to *Insto's* 2003 poll included additional issues covered, such as investors' content and distribution preferences. Results show that investors tend to favour proactive rather than reactive content on a consistent basis, delivered via the most efficient available means. While many of the respondents prefer personal contact, email remains the most popular delivery vehicle.

In another first, the 2003 poll sought respondents' preferred sources for analysis of foreign fixed income markets. Global banks, overall, emerge as the preferred providers, with Citigroup again proving its distinction within this class.

With respect to credit research, an impregnable cadre has evolved, consisting of Citigroup, National Australia Bank (the National), Westpac Institutional Bank (WIB) and rising star Commonwealth Bank of Australia (CBA). The quartet polled well ahead of other rivals for all major credit categories.

Citigroup Global Markets' head of credit research, Brad Scott, the undisputed credit heavyweight of last year's poll, retains the title of best overall research coverage and analysis provider, albeit after a much tighter contest this time round. Scott also receives the highest praise for forecasts of ratings action.

However, the most salient feature of Citigroup's coverage, as implied in the voting, was its objectivity. Scott's score in this category is almost double that of his nearest competitor, the National's head of credit research, Phil Bayley.

When asked what contributes most to the integrity of Citigroup's coverage, Scott says it is a combination of a small local team with a global perspective, a quality over quantity research philosophy and a commitment to calling a spade a spade.

With consolidation continuing in the investor market, Scott believes there will be further

flight to quality in the upcoming year. He comments: "As clients look to rationalise their counterparties, there will be a heavier reliance on the credit views of trusted objective analytical sources with a track record for value-added opinions."

The National's Bayley did turn the tables on Scott in two categories. Bayley was the standout analyst on a sectoral basis, and also rated highest for the quality of his follow-up research.

This year's bullet, however, was clearly CBA. Emerging from obscurity, the CBA team ranks competitively across all credit categories in 2003. CBA's executive manager of credit research, Angelo Catalano, and chief analyst for corporate credit, Toni Spencer, both receive heavy support for corporate analysis, while Catalano is highly rated over a raft of different categories.

Catalano links CBA's newfound presence in this market to the development of its asset-backed securities (ABS) coverage. He says: "Given the important role ABS have played recently in meeting the domestic supply gap, the packaging of quality ABS analysis with already strong corporate coverage has improved both the product and its positioning."

Owing to its increasing significance to fixed income investors, this year *Insto* included separate coverage of the structured sector in its fixed income research poll. The category includes ABS and hybrid securities, which were rated separately.

The opportunity to critique residential mortgage-backed securities (RMBS) research drew an enthusiastic response from investors. Most participants express ardent support for Macquarie Bank (Macquarie)'s, Debt Markets Research team.

Lachlan Callander, head of interest rates group at Invesco Australia, comments: "The regular provision of statistics and market analysis afforded by Macquarie over the breadth and depth of the market, including its own deals, is praiseworthy."

Investors are more reticent with respect to commercial mortgage-backed securities (CMBS), with many commenting that the coverage is largely deal-specific and thus difficult to compare. For those who did vote, the consensus is a close three-way contest

between Macquarie, John Lynam, senior quantitative analyst at WIB, and the CBA team.

The authority on hybrid securities research, by weight of voting, is Commonwealth Securities' hybrid securities analyst, Nik Persic. He believes that the market for hybrid securities research is also still evolving. Persic comments that his team is effective because it is the only Australian hybrid securities research unit backed by both the credit-pricing and industry structure insights of a major domestic trading bank.

Meanwhile, during a nervous year for the government bond market, Stephen Halmarick continues to fly the Citigroup flag high over this precarious landscape. Rating streets ahead of his nearest rival for analysis and research coverage, Halmarick is also considered the most independent provider of trade recommendations.

According to Halmarick, the debt research arena is changing. "Active, principally foreign hedge funds are now the targeted consumer. Research will need to be tailored increasingly to their needs and those best positioned to meet their specific requirements will thrive," he comments.

Halmarick claims to have been aware of this trend for some time, and plans to swim with the tide. He also sees a bright future for the government bond trade itself, as the Commonwealth treasury has guaranteed liquidity. Halmarick's two-year forecasts for supply of new stock are well above the A\$40 billion (US\$26.8 billion) considered necessary to maintain a viable market.

Finally, the best assessments of relative value are seen as provided by a panel of investment banks. ABN AMRO was the overall favourite after a very close contest.

Note: The UBS research team of Janet Pennington and Nick Wade was dismantled following a global restructure the week before the poll was sent out.

Methodology

Insto targeted large fund managers across Australasia and sought responses from one individual on behalf of its fixed income team. Respondents were asked to submit their top three nominations for categories relevant to their activities.

Points were awarded out of three and then weighted according to the respondent's funds under management in fixed income as follows:

Cash under management	No. of points
<A\$1 billion	0.5
A\$1 billion – A\$5 billion	one
A\$5 billion – A\$10 billion	two
>A\$10 billion	three

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2003 results

General

Which institution provides the best overall coverage of Australian fixed income research including credit, government/semi-govt and macroeconomic research?

Institution	No. of points
Citigroup	77
Deutsche Bank	68.25
Commonwealth Bank of Australia	48
ABN AMRO	30
UBS	23
Total points	291

What kind of information do you value the most?

Advice type	No. of points	% total
Opinions	15.96	44
Anticipation of events/ upgrades/downgrades	10.47	29
Trade ideas	5.49	15
Timely response to events	2.5	7
Recap of market activities	1.5	4

What kind of institution provides the best non-domestic research?

Institution	Institution type	Points
Westpac Banking Corporation	Domestic	7
Commonwealth Bank of Australia	Domestic	4
Macquarie Bank	Domestic	4
National Australia Bank	Domestic	3
ANZ Banking Group	Domestic	2
Domestic Total		20

Colonial First State	Internal	3
Commonwealth Bank of Australia	Internal	3
Internal Total		6

Citigroup	International	11.35
UBS	International	8.85
Deutsche Bank	International	6.6
ABN AMRO	International	5.35
CSFB	International	5.25
JPMorgan	International	3.5
Greenwich	International	3
Merrill Lynch	International	0.6
Nomura	International	0.6
Goldman Sachs	International	0.5
International Total		42.6

ISI	Third party	4
Medley Global Advisors	Third party	3
Stone & McCarthy	Third party	3
Standard & Poor's	Third party	1.5
BCA	Third party	1
Bridgewater	Third party	1
Third Party Total		13.5
Total points		82.1

What delivery service do you value the most in terms of fixed income research?

Vehicle	No. of points	% total
Daily email	20.75	40
Personal contact	16.25	31
Regular reports	11.5	22
Reactive alerts to credit events	3.5	7

Who gives the best coverage of Australian macroeconomic research and strategy?

Analyst	Institution	No. of points
Mark Rider	UBS	44
Stephen Halmarick	Citigroup	38.5
ABN AMRO	ABN AMRO	29
Ivan Calhoun	Deutsche Bank	24
Warren Hogan	Credit Suisse First Boston	21
Total points		236.5

Which institution provides the best sales, distribution and execution of Australian fixed income products, in the following areas:

Government

Institution	No. of points
Citigroup	58
Deutsche Bank	31.5
Credit Suisse First Boston	27
Westpac Institutional Bank	26.5
Commonwealth Bank of Australia	18.5
Total points	224

Semi-Government

Institution	No. of points
Citigroup	67
Deutsche Bank*	27
Westpac Institutional Bank*	27
Credit Suisse First Boston	25
UBS	20.5
Total points	222.5

*tied for second

Corporate

Institution	No. of points
Citigroup	40
ABN AMRO	28
Commonwealth Bank of Australia	27
UBS	24
ANZ Investment Bank	19.5
Total points	182.5

Credit

Who gives the best research coverage and analysis of Australian corporate credits on an individual company basis?

Analyst	Institution	No. of points
Brad Scott	Citigroup	57.25
Phil Bayley	National Australia Bank	53
John Lynam	Westpac Institutional Bank	47.5
Angelo Catalano	Commonwealth Bank of Australia	30
Toni Spencer	Commonwealth Bank of Australia	20
Total points 267.5		

Who provides the best sectoral analysis within the Australian corporate credit market?

Analyst	Institution	No. of points
Phil Bayley	National Australia Bank	56
Brad Scott	Citigroup	29.25
John Lynam	Westpac Institutional Bank	20.5
Chris Viol	Citigroup	14.25
ABN AMRO	ABN AMRO	10
Total points 179		

Who provides the most accurate predictions of rating actions for Australian corporate credits?

Analyst	Institution	No. of points
Brad Scott	Citigroup	57.75
Phil Bayley	National Australia Bank	40.5
John Lynam	Westpac Institutional Bank	30
Chris Viol	Citigroup	23.25
Janet Pennington/Nick Wade	UBS	16
Total points 209.5		

Who provides the most objective research and analysis of Australian corporate credit?

Analyst	Institution	No. of points
Brad Scott	Citigroup	64.75
John Lynam	Westpac Institutional Bank	37.5
Phil Bayley	National Australia Bank	32.5
Angelo Catalano	Commonwealth Bank of Australia	30
Chris Viol	Citigroup	20.75
Total points 251		

Who provides the best follow-up research on corporations post-launch?

Analyst	Institution	No. of points
Phil Bayley	National Australia Bank	55
John Lynam	Westpac Institutional Bank	44.5
Brad Scott	Citigroup	40.25
Angelo Catalano	Commonwealth Bank of Australia	32.5
Toni Spencer	Commonwealth Bank of Australia	16
Total points 240.5		

Who provides the best follow-up research on structured products, including securitisation and hybrids?

Analyst	Institution	No. of points
John Lynam	Westpac Institutional Bank	31.5
Brad Scott	Citigroup	23
Angelo Catalano	Commonwealth Bank of Australia	18
Michael Saba	JBWere	17
Debt Markets Research	Macquarie Bank	15
Total points 169.5		

Who provides the best research on residential mortgage-backed securitisation?

Analyst	Institution	No. of points
Debt Markets Research	Macquarie Bank	67
Denise Wong	National Australia Bank	33
John Lynam	Westpac Institutional Bank	25.5
ABN AMRO	ABN AMRO	20.5
Trudy Weibel	Deutsche Bank	17
Total points 188		

Who provides the best research on commercial mortgage-backed securitisation?

Analyst	Institution	No. of points
John Lynam	Westpac Institutional Bank	29
Debt Markets Research	Macquarie Bank	27.5
Angelo Catalano	Commonwealth Bank of Australia	26
Trudy Weibel	Deutsche Bank	13
Denise Wong	National Australia Bank	10
Total points 128		

Who provides the best research on hybrid securities?

Analyst	Institution	No. of points
Nik Persic	Commonwealth Securities	40
Matthew Enemy/Eugene Tan	UBS	24.5
Michael Saba	JBWere	24.5
Debt Market Research	Macquarie Bank	11
Angelo Catalano	Commonwealth Bank of Australia	10
Total points 145		

Government

Who provides the best research coverage and analysis of Australian government and semi-government bonds?

Analyst	Institution	No. of points
Stephen Halmarick	Citigroup	73.5
Warren Hogan	Credit Suisse First Boston	29
Tony Meer	Deutsche Bank	20.5
Scott Haslem	UBS	15
Mark Rider	UBS	11
Total points 198		

Who is the most independent provider of buy/sell/hold recommendations on Australian government/semi-government debt issues?

Analyst	Institution	No. of points
Stephen Halmarick	Citigroup	29
Warren Hogan	Credit Suisse First Boston	20
Debt Market Research	Macquarie Bank	16
David Plank	Deutsche Bank	12
Scott Haslem	UBS	10.5
Total points 173		

Who is the best provider of relative value/international comparative analysis for government/semi-government bonds?

Analyst	Institution	No. of points
ABN AMRO	ABN AMRO	20
Debt Markets Research	Macquarie Bank	19
Warren Hogan	Credit Suisse First Boston	18.5
Scott Haslem	UBS	16.5
David Plank	Deutsche Bank	16
Total points 158		