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Junk Deals Get Wary Welcome as Lenders Put Off by Fed Delay

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Junk-rated borrowers are finding it harder to convince bond investors to overlook the global growth concerns that pushed the Federal Reserve to maintain its zero-interest rate policy.

Billionaire Patrick Drahi's Altice NV and chemicals manufacturer Olin Corp. are among companies sweetening terms on debt offerings as investors grow more cautious, according to people with knowledge of the matter.

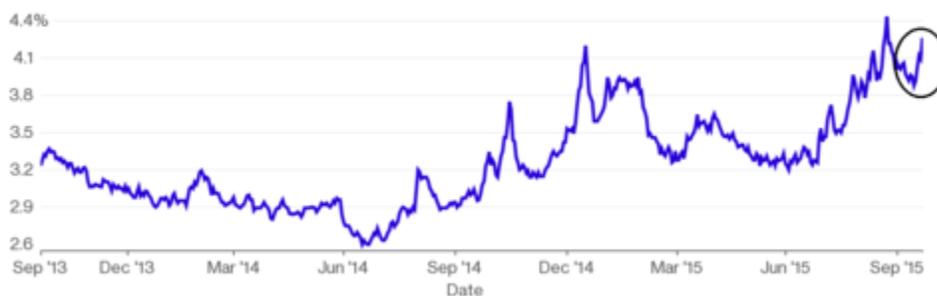
"There is uncertainty around the growth picture globally and that growth picture is important for high-yield" companies, said Mary Bowers, a portfolio manager at HSBC Global Asset Management. "Investors are demanding more concessions on the back of volatility in global markets."

Even as investment-grade company bond borrowing costs have dropped in the past week, those on junk-rated securities have risen. The markets saw a similar divergence last month when Chinese growth anxieties roiled bonds worldwide.

Different Cues

Divergence in High-Yield and Investment-Grade borrowing costs after FOMC

■ Gap in HY and IG Yields



Source: BofAML Indexes

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Altice is offering yields of almost 10 percent on its \$4.3 billion of unsecured notes, said the people, who asked not to be identified because the information isn't public. That's part of the financing package proposed by the company for its takeover of the U.S. cable operator Cablevision Systems Corp. That

compares with an average yield of 7.8 percent on similarly rated bonds and 8.6 percent on Altice's existing notes maturing in 2025.

Soho House

"There are enough examples in the history of the high-yield market where it shuts down," Altice Chief Executive Officer Dexter Goei said in an interview Wednesday. "You're not going to risk that capital because you're trying to be, at the margin, thoughtful about 50 basis points or 25 basis points here or there. You may actually shoot yourself completely in the foot if you're too smart about it."

In Europe, Soho House withdrew a 200 million pound (\$305 million) note offering, citing market conditions, according to a person with knowledge of the matter. Average borrowing costs for high-yield debt jumped to the highest since July 2013 as the market there remains shut for new junk deals.

Olin Corp. has already boosted the terms on its \$1.5 billion, two-part offering to complete the acquisition of Dow Chemical Co.'s chlorine business. The eight- and 10-year notes that were initially offered at around 5 percent are now being marketed at 6.5 percent or more, people with knowledge of that deal said. That level may be boosted further to get the deal done, the people said.

Larry Kromidas, assistant treasurer and director of investor relations at Olin, declined to comment.

A risk gauge for U.S. speculative-grade companies surged to as high as 419 basis points, and close to the highest level reached this year in August at 426 basis points.

"Today, in the interest-rate environment we're in, we'd like the Fed to have increased rates because what's killing the market is the uncertainty," Altice's Goei said. "The reasoning why they didn't raise rates is because global growth may be slowing. That makes people nervous."