

Companies race to sell corporate debt to test investor appetite

Sales exceed \$22bn come as issuers seek to lock in low borrowing ahead of central bank action

SEPTEMBER 6, 2016

by: [Eric Platt](#) in New York

The starting gun for what is expected to be a bumper autumn for [corporate bond sales](#) has been fired, with an avalanche of new offerings from US and European companies testing investor appetite.

More than two dozen sold debt in the days after the Labor Day weekend, blitzing investors with offerings in the US on Tuesday at the fastest pace of the year as corporate treasurers raced to lock in low borrowing costs before a possible market disruption.

The list included Siemens, Home Depot, Honda, Shell, the Royal Bank of Scotland and Nissan. The 14 investment-grade dollar-bond sales on Tuesday were spread across 26 tranches, matching the year's high, according to Dealogic.

The sales, which are expected to range between \$40bn and \$50bn for the week, precede what may turn out to be a harrowing autumn for markets as policymakers at the [Federal Reserve](#), [European Central Bank](#) and Bank of Japan consider tweaks to their strategies alongside the culmination of a bitterly fought [US election](#).

"With the US election, and the Fed meeting on the 21st [of September], companies are being proactive and taking advantage of the market's relative stability," said Andrew Forsyth, a portfolio manager with BNP Paribas Investment Partners. "Yields are so low, why not try to get in front of some of this volatility?"

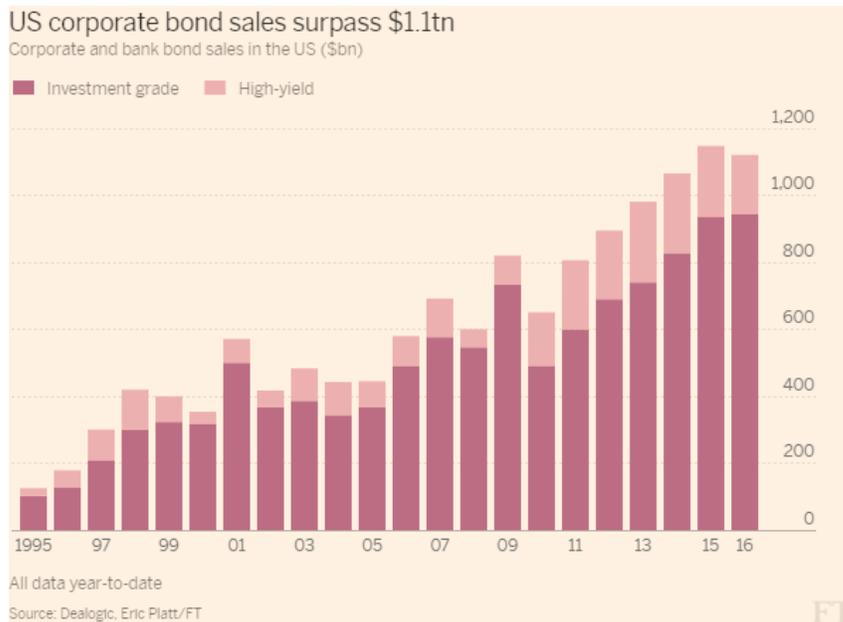
Companies have aggressively issued debt this year as fixed-income markets have rallied, spurred by loose central bank policy and demand by foreign investors. More than \$1.1tn of debt has been sold in the US in 2016, just behind last year's record level.

Yields on the bonds, which are priced against benchmark government paper, have slid alongside the decline in sovereign borrowing costs and the rise of [negative yielding debt](#). More than \$13.2tn of government and corporate paper trades with a [yield below zero](#), according to Tradeweb, and on Tuesday two companies [sold euro bonds](#) with negative yield.

"Investors are back from vacation and they realise their yield problems have not gone away," said Matthew Brill, a portfolio manager with Invesco. "The Fed is on everyone's mind. And seeing what the BoJ does, if it were to reverse course, that could throw a wrench into things."

Home Depot sold \$1bn of 10-year debt with a yield of 70 basis points above the 10-year Treasury on Tuesday, as strong investor demand allowed underwriters to tighten terms.

The average US investment-grade bond traded with a spread — or the difference between its yield and that on a comparably maturing Treasury — of 140bp on Tuesday, according to Bank of America Merrill Lynch. It marks a sharp decline from a peak hit earlier this year, when spreads climbed to 221bp as fears of a looming recession intensified. Yields fall as bond prices rise.



Investors and bankers say issuance in September could reach \$150bn, including a multibillion-dollar transaction from Shire to [fund its takeover](#) of Baxalta. The sales on Tuesday included \$6bn of debt from the financing arm of Siemens, \$4bn from Mitsubishi UFJ Financial and \$1.5bn from Société Générale. Valero Energy, RBS, off-price retailer TJX and Mizuho were finalising sales on Wednesday.

Investors also bid heavily on new energy debt, which has been among the best performing asset classes this year as oil prices have rebounded.

“It is an issuer’s market,” said Henry Peabody, a portfolio manager with Eaton Vance. “Anyone who has access to credit markets, which is just about everybody ... will look back at this as a favourable time to issue. Issuers come to market when it is in their best interest, not ours.”

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