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US corporate debt sales move beyond \$100bn for May

Robin Wigglesworth in New York



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The US bond market enjoyed another strong day of issuance on Tuesday, with corporate debt sales powering past the \$100bn mark for a record fourth consecutive month.

About a dozen deals from issuer including [Goldman Sachs](#), [Comcast](#), [Volkswagen](#) and Japan's export agency were priced on Tuesday, as borrowers locked in low borrowing costs ahead of the summer slowdown.

Supply has been particularly strong in the [US corporate bond market](#) this year with total corporate bond sales now running beyond \$510bn, making it the best start to a year on record, according to Dealogic. Banks, insurers and other non-financial institutions have issued another \$240bn on top of that.

The appetite for new bonds has remained rock-solid in recent weeks despite the turbulence in government bond markets, which has sent the US 10-year Treasury yield up from an April low of 1.85 per cent to 2.29 per cent on Tuesday.

Despite the rise in longer-term Treasury yields, it remains exceptionally cheap for borrowers to tap the US bond market.

The average yield of bonds in the Barclays Aggregate index — the broadest gauge of borrowing costs — is just 2.24 per cent, up from a record low of 1.56 per cent in 2012 but down from over 5 per cent before the financial crisis and compared to the long-term average of over 7 per cent.

“Supply for the overall fixed income market has been and may continue to be out of balance relative to demand,” Stephen Antczak, a strategist at Citigroup, said in a note. “We expect this factor to support corporate valuations in the period ahead.”

Tuesday's deals were dominated by “supranational” and government-related entities like the European Investment Bank and the export credit agencies of Canada and Japan, in addition to a smattering of bank bonds from Sweden's SEB and Australia's ANZ.

But it also included companies like Comcast, Columbia Pipeline Group and a foray over the Atlantic by Volkswagen. US corporate issuance surpassed the \$100bn mark for three months running in 2012, but has not held above that mark for four months since at least 1995, when Dealogic's records began.

Goldman Sachs and Comcast were behind the day's most high-profile deals. The investment bank raised \$5bn in a three-part sale, and the cable company sold \$4bn of bonds maturing in 10, 20 and 30 years — underlining the move by corporate treasurers to take advantage of investor demand for fixed income to lengthen their average repayments.

Including all entities — such as supranationals like the EIB, export credit agencies, structured finance deals, US agencies and the government — there has been over \$1.2tn of bond sales in the US already this year, according to Dealogic.

Issuance typically slows down drastically during the summer months. Analysts and investors said that the unusually heavy supply of the first five months of the year was probably the result of companies, development banks, financial institutions and other entities doing their funding ahead of schedule due to a possible Federal Reserve rate rise after the summer.