Capital markets continue to push out corporate trades amid volatility

Capital market action this past week illustrated that even in the midst of front-line nervousness and volatility, investors will hit the bid on solid opportunities. And that borrowers, ever alert to absolute levels, will lock in lower yields when they can in spite of wider credit spreads.

What a week! US Treasury Secretary Mnuchin determined China is a currency manipulator, CNY crossed the red line of seven, a global stock market rout saw the Dow drop 736 points on Monday, the 10-year Treasury note yield hit a three-year low of 1.595%, the 30-year Bund traded at a negative yield for the first time and the 10-year Bund hit a new low of -0.58%.

US-China trade tensions had moved slightly into abeyance for traders in recent weeks. It had never moved off the radar screens but in the absence of fresh new news and Mnuchin's continued assurances that the two sides were 90% of the way to getting a deal done, it had moved somewhat off centre as a key driver of daily market price action.

But it always had the ability to power its way back with a vengeance. We also had New Zealand, India and Thailand cutting rates on 7 August. for almost identical reasons. Spot the difference:

The New Zealand Reserve Bank cut its Official Cash Rate by 50bp to 1%, noting that even though employment is around its maximum sustainable level and inflation remains within target, GDP growth over the past year has slowed and growth headwinds are rising.

The Reserve Bank of India's Monetary Policy Committee cut the policy repo rate under the liquidity adjustment facility by 35bp to 5.40% and maintained its accommodative monetary stance in order to achieve its medium-term consumer inflation target while supporting growth.

The Bank of Thailand's MPC voted five-to-two to cut its policy rate by 25bp to 1.50%, on the basis of its expectation that the economy would expand at a lower rate than previously assessed and that inflation is projected to fall below the lower bound of its target.

While none of the above moves were individually critical to global market participants, they aptly served to indicate that low growth and low inflation are global phenomena requiring action.

The FIG primary debt market and European new-issue markets generally were comatose in recent days, but there was some decent corporate action in US dollars, where BMW, Global Payments, McDonald's, NCR and Sinopec came to market with billion dollar-plus trades raising more than USD 10bn between them.

Worthy of note was Occidental Petroleum's USD 13bn 10-tranche extravaganza to finance its takeover of Anadarko, reported to have been heavily over-subscribed. The US market also saw a couple of 30-year US utility trades. Talking of long-dated issuance, worthy of note in Europe was Land Schleswig-Holstein's EUR 500m 20-year senior, which hugely extended the State issuer's curve; notes pricing at MS+4bp for a 57.2bp pick-up to Bunds.

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Summary of FIG debt issuance August 1 to August 8 (15:30 CET)

ING went out with an AUD 750m five-year covered bond split into an AUD 500m five-rate at guidance of ASW+67bp and an AUD250m FRN at BBSW+67bp.

Lloyds Bank put out IPTs of T+95bp area for its three-year US dollar senior unsecured opco trade, tightening to T+85bp the number and pricing at that level for USD 1.5bn on a modestly over-subscribed book. The UK bank had priced its three-year AUD 700m two-part senior unsecured Kangaroo on 2 August at 3-month BBSW+90bp for the AUD 450m FRN priced; and at 1.7025% yield for the AUD 250m fixed-rate notes.

HSBC went into marketing on 7 August for a three-year FRN and/or five-year fixed-rate senior unsecured NZD trade.

UBS sold a USD 1.5bn 11NC10 fixed-to-FRN senior unsecured holds' TLAC-eligible trade at guidance of T+140bp on 6 August. IPTs had been T+155bp area.

China's **Orient Securities** mandated leads to arrange a roadshow ahead of a potential issue of Reg S US dollar and euro senior unsecured notes.

Dongxing Securities completed roadshows on 7 August ahead of an expected five-year Reg S senior US dollar bond. The issuer duly went out the following day showing initial guidance of T+210bp for benchmark size, tightened to final guidance and launch at T+180bp as books went above USD 2.3bn for USD 400m size.

KEB Hana Bank reportedly hired leads for a potential US dollar-denominated bond.

(Source for basic bond data: Bond Radar (www.bondradar.com).

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