Issuers firmly in the groove in becalmed bond market

Debt capital markets have taken on a life of their own, seemingly impervious to news about Covid-19 or its dire impacts on the economy as issuers focus squarely on generating liquidity while they can.

The volume data for the last few days maintained the trend of the past two to three weeks, but the numbers continue nonetheless to impress: USD 230bn last week and USD 37.5bn on Monday 7 April, raised from approximately 230+ tranches of debt from roughly 140 borrowers.

Issuance is still weighted towards brand-name investment-grade corporates, which have accounted for around two-thirds of supply. Notably, around 40% of that supply sits in the Triple B bucket, the subject of fevered speculation. Geographically, half of the overall issuance came from European borrowers, but a chunk of that (28%) was executed in US dollars. As in previous days, a queue of 20-25 issuers formed in the European morning session, with a dozen-plus US names getting onto the docket early in the US session.

With the Easter period beckoning, the expectation is that underwriters in the US and Europe will push hard to squeeze supply into the first three days of the week ahead of the 2pm Treasury market close on 9 April.

Sell-side participants are factoring a continuation of the status quo, with some flow adjustments to take account of Q1 earnings blackouts. Global DCM volume in the first quarter broke the all-time record. It's impossible to predict how Q2 will make out; a lot will depend on how market participants – investors in particular – react to Q1 corporate earnings and macroeconomic data releases. What is certainly true is that even though a lot of supply has printed, there is a long list of corporates that have yet to take the plunge so are in the phantom pipeline.

Credit pricing is starting to take on something of a two-tier formation. Large corporate issuers offering liquid lines in size from sectors less directly affected by the effects of Covid-19 are certainly paying up relative to pre-corona. But sell-side salespeople and investors are reportedly able to reach broad agreement quickly on pricing thoughts. Syndicates are adding on healthy double-digit spread concessions to ensure they build early deal momentum.

Corporates in more affected sectors offering non-benchmark size throw up more of a pricing conundrum; reports suggest there is more disagreement and wider high/low spread ranges for these names. Secondary market levels at this time offer little in the way of a guide as to where primary trades can get done. The tendency for pricing in this segment is for pragmatism to get trades over the line.

More pertinent drivers of pricing will be the European Central Bank's asset-purchase programme and the US Fed's Primary Market Corporate Credit Facility. It's worth noting that even though the PMCCF was announced on 23 March it hasn't been activated. The facility will provide four-year bridge financing to investment-grade companies.

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On the FIG side, supply has been lacklustre and core euro area banks have mostly been absent from the market. Svenska Handelsbanken's EUR 1.25bn five-year senior preferred offering on 6 April offered a level of comfort to market watchers as it priced 40bp inside initial price thoughts, at MS+135bp, with a very small concession and still attracted demand of EUR 8.25bn. As the market stabilises from wild March volatility, issues will gain better traction.

Summary of FIG debt issuance 31 March to 07 April (16:00 CET)

Ally Financial printed a USD 750m senior unsecured offering on 6 April at T.562.5bp guidance, at the re-offer price of 98.828. IPTs had been T+600bp area.

Caisse Centrale du Crédit Immobilier de France (3CIF) priced a EUR 500m five-year senior unsecured offering on 6 April at 34bp over the French government curve (roughly MS+28bp). The book for the sovereign-guaranteed bond closed above EUR 1.3bn. Guidance was OAT+38bp.

Canadian Imperial Bank of Commerce priced an AUD 600m three-year covered bond on 2 April at 3mBBSW+125bp guidance.

Citigroup priced a USD 3.5bn 6NC5 fixed-to-floating senior unsecured offering on 1 April at T+275bp guidance. IPTs were T+312.5bp area.

Compagnie de Financement Foncier priced a EUR 1bn four-year covered bond on 6 April at MS+35bp, the tight end of MS+36bp +/-1bp revised guidance. Initial guidance was MS+38bp area. Demand was above EUR 2.2bn from 80 accounts.

Crédit Agricole SFH priced a EUR 2bn long four-year covered bond on 1 April at MS+40bp to EUR 3.7bn in demand.

Crédit Mutuel Home Loan SFH priced a EUR 1.75bn five-year covered bond on 3 April at MS+40bp guidance. Demand reached EUR 2.3bn from 80 investors.

Credit Suisse priced a USD 3bn senior offering split into a USD 1.5bn 2.8% two-year priced and a USD 1.5bn 2.95% five-year, which both priced at T+255bp guidance. IPTs emerged at T+300bp.

Leaseplan priced a EUR 500m five-year green senior unsecured bond on 3 April at IPTs of MS+375bp, building a book of over EUR 650m.

Lloyds Bank priced a USD 1.5bn 5.25NC4.25 senior unsecured bond on 2 April at T+350bp, generating USD 3.25bn in demand. IPTs had been T+375bp area.

Lloyds Bank Corporate Markets priced a EUR 1bn six-year senior unsecured bond on 2 April at MS+270p, to demand of more than EUR 3.25bn. IPTs were MS+300bp area.

Metropolitan Life priced USD 1bn in funding agreement-backed notes on 3 April at T+240bp. IPTs were T+287.5bp.

Mitsubishi UFJ Lease & Finance priced a dual-tranche senior offering on 6 April. The USD 450m five-year priced at T+320bp (IPTs T+325bp area); the USD 350m 20-year priced at T+330bp (IPTs T+337.5bp area).

OMA Savings Bank priced a EUR 250m three-year mortgage covered bond backed by prime Finnish residential mortgages on 1 April at MS+55bp to a final book of over EUR 560m. Guidance had been MS+60bp area.
Prudential plc mandated leads on 6 April to arrange investor calls ahead of a potential debut SEC-registered dollar 10-year fixed rate senior .

Svenska Handelsbanken priced a EUR 1.25bn five-year senior preferred on 6 April at MS+135bp, attracting demand of EUR 8.5bn. IPTs were MS+175bp area and the deal priced at the tight end of MS+140bp +/-5bp revised guidance.

(Source for raw bond data: Bond Radar (www.bondradar.com); bank and media sources

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