Markets spy the first green shoots of returning liquidity

The first green shoots of a return to some form of liquidity in the credit markets took hold in March as big defensive stocks with solid investment-grade paper tested whether the thaw was under way.

British American Tobacco (BAT), the international cigarette giant, raised more than £1.5bn from the bond market just days after the company also proved that the mergers and acquisitions industry could be kickstarting back into life with deals worth nearly £3bn.

BAT, whose international brands include Pall Mall, West and Kent, raised €1.25bn in the Eurobond market with a seven-year offer paying a coupon of 5.875% priced at 180 basis points over mid-swaps.

In the sterling bond market, the company raised £500m with a 16-year 7.25% offer priced at 270 basis points over the equivalent gilts.

The issues were part of BAT's $16bn medium-term note programme.

Around 85% of the offers were taken up by asset managers and insurance companies with an appetite for new issues.

Barclays, Lloyds TSB and Royal Bank of Scotland were the co-lead managers on the sterling issue.

Royal Bank of Scotland and Société Générale led on the Eurobond issue.

The offers came as BAT spent $4bn buying the Danish tobacco company Skandinavisk and spent another $1.7bn moving into the Turkish market with a deal for Tekel.

"These deals provide a strong platform for the growth in the market of our international brands," said BAT Chief Executive Paul Adams.

Severn Trent, the Midlands water utility, was also welcomed back into the Eurobond market. The company raised €750m with an eight-year Eurobond paying 5.25% priced at 115 basis points over mid-swaps.

The company, which is in the middle of a multibillion-pound capital expenditure programme modernising the water networks in the heart of England, said the offer was part of its €3.5bn medium-term note programme.

Lead managers on the issue were Barclays Capital, BNP Paribas and Royal Bank of Scotland.

GlaxoSmithKline, the giant British drugs company, was another stalwart of the London blue chip stock index to come to the bond market. Its long-dated 31-year £700m offer was set to pay a coupon of 6.375%, priced at 178 basis points over the nearest equivalent 2038 gilt.

ABN AMRO, HSBC and Royal Bank of Scotland were the lead managers on the issue for GSK. The issue got away after orders for more than £800m were placed. With buyers in the market happy to wait for the right deals to come along, bankers said that any issue of more than £500m in the prevailing markets would be regarded as a success.

The appetite in the market for offers from large corporations was not restricted to western markets. **Sistema**, the sprawling Russian consumer services group, saw its RUB6bn (£126m) offer easily oversubscribed, with applications coming in for RUB9bn.

The company, whose interests span retail, property, telecoms, banking and the media, and which last year had sales of $9.6bn, has its shares listed in both Moscow and London. It is reckoned to be the largest consumer group in Russia and the Commonwealth of Independent States, which were formerly part of the Soviet Union.

Sistema's five-year bond is paying a coupon of 9.45% and the success of the offer was seen as consolidating the credibility of the company in international capital markets.

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BONDS

DEAL PRICING DATE	ISSUER	TRANCHE VALUE (PROCEEDS)	DEAL VALUE (PROCEEDS)	BOOKRUNNER	MATURITY DATE	COUPON %
28/02/2008	GlaxoSmithKline Capital plc	$1,384m	$1,384m	ABN AMRO, HSBC, RBS	09/03/2039	6.375
04/03/2008	Severn Trent Water Utilities Finance plc	$1,060m	$1,060m	Barclays Capital, BNP Paribas, RBS	11/03/2016	5.25
04/03/2008	Waste Management Inc	$598m	$598m	Banc of America, JPMorgan, RBS	15/03/2018	6.1

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