	What major problems and opportunities do you expect in 2001?	*Do you foresee any significant changes in the market for Euro denominated bonds?*	*What pricing trends do you anticipate?*
Jeremy Froud	Although participants may be wishing for slightly easier market conditions, it is difficult to envisage that the problems experienced during 2000 will disappear as we move into 2001. Continuing concerns about the funding requirement for the telecoms industry coupled with those about event risk in the corporate sector are unlikely to disappear overnight. Political uncertainties may also come to the fore as a new US president starts to put his mark on the economy and speculation about the date of the next General Election in the UK increases.	Without a doubt, the market will continue to mature. Following the rush for growth witnessed during 1999, this year has seen investors being forced to look toward the performance of their portfolios. I would therefore see a market that becomes ever more discerning about the bonds it is prepared to buy, with investors continuing to seek protection from perceived event risk. Perhaps this will manifest itself by a louder call for covenants?	In terms of pricing trends, I believe we could see a repeat performance of this year, although one thing is certain, there are bound to be some differences. In sterling, for example, the outcome of the changes to the MFR rules will have a bearing on spreads, either positive or negative. The other driving force will, of course, be the level of supply. We are again looking at the likely overhang of the telecoms and financial sectors to set the pace.
David Knott	The main concern is that global growth seems to be slowing. In the past, this would have pointed to lower short rates, but we do not expect rate cuts in G3 next year. Japan has only recently raised rates, euro-land cannot risk further euro weakness, and in the US the labour market remains too tight to justify rate cuts. This suggests that the environment for corporate borrowers, particularly the weaker ones, could deteriorate. But we do not expect a funding crisis. Banks in Europe and the US are financially healthy, and investors are still looking to diversify into credit.	Slowing growth will increase the amount that euro-land governments need to borrow. Forecasts of a euro-land surplus will be pushed further into the future. Spreads versus high grade credit should, therefore, tighten versus the wide levels seen this year. Overall, we expect a relative increase in the volume of corporate borrowing in euro-land. The identity of the biggest borrowers might switch. Telecoms borrowers probably will not be quite as significant borrowers as they have been this year.	We expect a steeper credit curve (weaker credits will have to pay relatively more), but that stronger credits will have to pay less. The steepening credit curve is due to a deteriorating macroeconomic environment and increased risk aversion towards certain types of corporate debt. The tightening in high grade spreads will reflect the reduce scarcity premium attached to government debt as the supply outlook becomes less attractive. We expect to see these trends in the US and the euro-land markets, although they will have the largest impact in the dollar market.
Russell Maybury	The bond markets will continue to experience greater levels of volatility than, say, five to 10 years ago. It is noticeable that bond markets take more guidance from the stock markets. A poor performance in the Nasdaq has the ability to temporarily stun the Euromarket, let alone the US debt market, albeit for a matter of days. Volatility should not be seen necessarily as a negative. It creates opportunity. Access to the market will not be a foregone conclusion. Those issuers who work hard in preparation and keep their debt investors informed will distinguish themselves.	Euro investors will continue to grow in sophistication and appetite. The capacity to look at structures, subordinated product and longer maturities will increase. Price will remain the principal determinant of capacity. Liquidity will be key. Smaller transactions will become harder to execute than larger €500m plus deals. Investor protection is not yet an issue, but the migration of covenants from the sterling market to the euro market remains a possibility.	It is difficult to foresee circumstances where spreads will dramatically tighten. Continued supply from certain sectors, eg telecoms, utilities, and continuing credit concerns can only keep the pressure upwards. The steady stream of meaga-mergers does not seem to have abated.
Tim Metzgen	Clarification of the MFR will stimulate a readjustment in the shape of the sterling yield curve towards a more normal shape with tightening corporate credit spreads but higher long term Gilt yields. At the short end, the euro curve will continue to converge towards the sterling curve, due to rising euro rates and the lack of commitment from the UK government to join. A maturing euro market could lead to further cross-border investments and greater credit understanding and analysis. Continuing volatility in equity markets with a knock-on effect in the bond market in relation to credit quality.	There will be an increase in corporate issuance, but with more smaller issues. As euro investors develop their credit skills, cross-border investment increases and a pan-European market develops. The euro is seen as being undervalued against fundamentals and so is likely to bounce back as a currency next year. The strengthening of the currency will, in turn, lead to further demand of euro product by investors outside the euro-zone. While further corporate integration leads to increased borrowing requirements in euros, a proportion of euro issuance will continue to replace domestic issuance.	The bond markets will continue to be influenced by the swap markets along the curve. In the UK, despite confusion over the future of MFR, the pension fund reform should be positive for corporate spreads but negative for Gilt yields. Investors will remain nervous of event risk and corporate volatility and continue to demand compensation in terms of convenants and spread. As the banks re-analyse their credit assessment of their borrowers, the bond market should be able to develop further as it becomes more competitive at shorter maturities. Many corporates are still being offered tight Libor spreads in the banking sectors.

Will availability of funding for medium and smaller corporates be improved? Do you forsee any trends in the type of borrowers in future markets?	***What trends in currencies, deal types and structures do you expect?***	***What trends do you expect in investor appetite?***	
This will depend upon a number of factors, including volatility and the level of issuance in the mainstream market. The market continues to polarise towards public debt ratings becoming a necessity. Generally, liquidity for issuers rated below the equivalent of BBB+ has been scarce and/or expensive. If volatility does fall, then it is possible that smaller corporates may be able to access the markets at sensible pricing – although this trend would be helped by the establishment of a separate market tier, one that is not so exposed to the volatility associated with the mainstream market.	A continuation of the trend established during this year, namely the requirement for issuers to gain access to significant amounts of liquidity when it is required. The introduction of the new accounting rule FAS 133 will mean more corporates issuing in the currency of their funding requirement rather than using hedges.	Investors will continue to be more selective in their investment decisions. A more aggressive use of benchmark indices to measure the performance of their portfolios will encourage or force them to participate in the larger, more liquid issues. Given the recent patterns of issuance, I am sure investors will welcome the opportunity to diversify away from the heavy issuance from the telecoms and financial sectors. In addition, fixed income investors will continue to expect a higher level of communication from both new and existing borrowers. They are coming to expect equal treatment with their equity counterparts.	***Jeremy Froud is a Director Debt capital markets at Barclays Capital***
As European investors become more familiar with credit portfolio management we expect more to focus on smaller issuers. Indeed, the recent weakness in credit markets has highlighted that owning a large corporate deal is no guarantee of liquidity. We expect a relative increase in euro-land corporate issuance, although debt issuance will remain below the amounts borrowed by corporates from their banks. The main motivations for sustained corporate borrowing are M&A activity, corporate restructuring and business investment. On an industry-by-industry basis these will be the factors that will determine corporate funding requirements.	There are now two currencies where funding opportunities are always available: the dollar and the euro. Both currencies will continue to account for the majority of all corporate issuance. In the current, rather nervous, environment, we expect investors to focus on short-term borrowing. Intermediate maturity debt seems likely to be most popular given investors' expectations of a steeper yield curve.	Since the start of Emu, investors worldwide have taken a structural decision to invest in credit. However, now this investment has taken place and a lot have lost money on credit, investors will become more choosy as to the products they buy and the prices at which they buy them. In Europe, we do not believe the structural diversification into credit is complete, because credit still accounts for such a small part of the euro-land bond market. Nevertheless, the experience in the telecoms sector this year has made bond investors much more cautious about generic purchases of credit product.	***David Knott is Head of Fixed Income Research at Deutsche Bank***
Availability of funding for small and medium firms will continue to improve. But only in line with their ability to, at best, get a rating or be in a position to provide an adequate package of information, structure and price that will encourage investors to engage in the extra effort to assimilate the credit. There is a pan-European shortage of credit skills and investors are obliged to prioritise. Over the last few years investors have been unable to process all the transactions being offered to them due to a lack of resource. However, many banks, including ourselves, are working hard through technology-led interfaces to make the decision-making process more user friendly.	With so much focus on the euro, people have forgotten that the sterling and Swiss franc markets have been ticking away very nicely and continuing to provide cost competitive levels and diversification in reasonable size. The blockbuster deals will remain the domain of the euro and Yankee market, but a lot can happen outside of these markets. Yen has been a big source of low-profile funding in the short term for many heavyweights this year.	Having successfully completed a puttable assets trust structure (PATS) deal for Yorkshire Power and a resettable note deal for TXU Europe for €500m, we are naturally optimistic that more borrowers will adopt this type of structure to take advantage of the exceptional pricing opportunities for borrowers prepared to issue structured sterling notes to exploit the inverse nature of the sterling curve.	***Russell Maybury is Executive Director at UBS Warburg***
Investor demand for liquidity is the main obstacle for smaller borrowers in the bond market. The sterling market and US private markets will be the main routes for smaller issues until a European private placement market fully develops. There will be problems also raised by the smaller corporate's credit ratings, both by the big agencies and by investors. The business characteristics of many smaller corporates are those that cause investors most concern. Cyclicality, lack of diversification, often a lack of history, with a future development path which may not suit long-term covenants required by the bond markets.	Euro turnaround is expected in 2001 leading to improved view of currency and increased investor demand. This will lead to a further rise in global multi-tranche, multi-currency issues by the large corporates. Global corporates which require large amounts of funds will look to raise funds in the key global currencies in liquid sizes to appeal to the greatest number of investors. With more corporates seeing cross-currency arbitrage opportunities, we expect to see more companies establishing medium term note programmes.	Relatively low interest rates will drive demand for yields. With demand for covenants deterring investment grade corporates, investors may be driven to sub-investment grade to obtain yield. Securitisations will rise as asset mis-pricing in sectors such as property and utilities continues But these are likely to be owner-driven, rather than principal financed. Investors should also be more receptive to index-linked corporate bonds. Although the market is limited, recent deals demonstrate demand and a requirement of inflation-linked borrowing by some corporates. Widespread corporate issuance is likely to be limited by the lack of liquidity in the swap market.	***Tim Metzgen, is an Executive in Global Markets at Royal Bank of Canada***