Markets bustling before the recess

Last year's big drug deals are helping inject life into the heftier end of the eurobond market. **Novartis**, the pharmaceuticals giant, has launched a seven year €1.5bn eurobond paying 4.25% with a spread of 95 basis points over midswaps.

The deal follows last year's $11bn acquisition of a 25% stake in eye-care company Alcon from Nestlé which came with an option to buy Nestlé's remaining 52% holding in 2010 at an as yet undetermined price.

While both sides retain options to trigger the acquisition or sale of the stake, Novartis is reckoned to want to have the cash ready in case Nestlé decides to sell.

"We've already started raising the debt necessary to fulfill what we see as an Alcon put option beginning on 1 January 2010, so we raised $5bn in debt in February this year and you'll see us continue to do so through the course of the year," an investor relations spokesman for Novartis said.

Joint lead managers on the fund raising were Barclays, BNP Paribas and Deutsche Bank

Another pharmaceuticals giant, **Pfizer**, was also tapping the eurobond markets – and the sterling denominated bond market too – to secure its finances after a blockbuster deal.

Last year Pfizer bought healthcare company Wyeth for $68bn. Now it is launching blockbuster bonds of more than €7bn to help cover the cost. Pfizer has launched three tranches of eurobonds: a four year €1.85bn bond with a coupon of 3.625%, 120 basis points over midswaps; a seven year €2bn eurobond paying 4.75%, 155 basis points more than midswaps; and a €2bn 12 year bond with a coupon of 5.75%, 195 basis points more than midswaps.

In addition, a fourth tranche, a sterling denominated 29 year bond, has been issued by Pfizer to raise £1.5bn. It is paying a coupon of 6.5%, 195 basis points over the equivalent UK gilts. Pfizer had already raised $13.5bn toward the Wyeth deal in the US bond markets back in March. The company said it would use the proceeds from the latest notes to repay a $22.5bn bridging loan backing the Wyeth deal.

Lead managers on the bond issues were Bank of America Merrill Lynch, Barclays, Citigroup, Goldman Sachs and JP Morgan Chase.

While the bond market appears to be thriving ahead of the traditional summer recess, the equity markets have also been awash with fundraisings – many of them deeply-discounted rights.

Mecom, the European newspaper group headed by the former British tabloid journalist David Montgomery, launched a 6 for 1 rights issue as it announced its bank facilities had also been renegotiated.

Aiming to raise £132.5m after costs with the issue of 9.4 billion new shares, the new stock was issued at 1.5p – a 70% discount to the previous day's closing price.

Mecom which produces newspapers in Holland, Denmark, Norway and Poland said it would be able reduce net debt to £336m and take advantage of more flexible amended terms agreed with its lenders in the teeth of uncertain and challenging advertising markets.

"The refinancing helps provide a new lease of life for the newspaper business," said Montgomery.

"This depends on our ability to implement a new operating model and abandon the traditional working practices of the industry."

JP Morgan Cazenove acted as sole sponsor and sole financial adviser and was joint bookrunner on the rights issue with Cenkos Securities. JP Morgan acted as the underwriter.

Following Xstrata's £4.1bn rights issue earlier in the year, rival miner **Rio Tinto** topped that with an even mightier fundraising.

In response to investor calls to re-work its plans to enter a series of relationships with the Chinese aluminium group Chinalco, Rio Tinto launched a $15.2bn on its shares listed in London and Sydney.

The rights issues consisted of a 21 for 40 offer at £14 a share on its London-traded shares – a 48% discount to where the shares had previously traded – to raise $11.8bn, and at a 57% discount to its Australian stock raising a further $3.4bn.

Rio said the fundraiser meant it would be able to meet its debt commitments on its acquisition of Alcan and reduce its net debt position to $23.2bn.

In a side deal it also said it is to pool its West Australian iron ore mining assets with rival BHP Billiton to set up a 50:50 joint venture which would also see Rio receive a $5.8bn payment.

The ditching of its deal with Chinalco would trigger a $195m break fee and the right issues, said Rio, would mean it is passing on its interim dividend.

"Since we announced the Chinalco transaction in early February, financial markets have seen a significant improvement," said Jan du Plessis, chairman of Rio Tinto.

"This has had two consequences – first, the financial terms of the Chinalco transaction became markedly less valuable, and secondly our ability to raise a level of equity appropriate for our needs on attractive terms has improved very considerably."

Robert Lea is City correspondent of the London Evening Standard.

INVESTMENT GRADE BONDS

ISSUER	PRICING DATE	DEAL TYPE	CURRENCY	TRANCHE VALUE IN LOCAL CURRENCY	MATURITY DATE	COUPON
Novartis Finance	02/06/2009	Corporate Bond-Investment-Grade	Euro	€1,500m	June 2016	4.25%
BAE Systems Holdings Inc	01/06/2009	Corporate Bond-Investment-Grade	US dollars	€1,000m	June 2019	6.375%
ArcelorMittal SA	26/05/2009	Corporate Bond-Investment-Grade	Euro	€1,500m	June 2013	8.25%

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