Corporate bond market of 1999

In my view 1999 will go down in history not only as the year of the euro, but more importantly as the beginning of a pan-European corporate bond market.

The Euromarket, incorporating, *inter alia,* euro, sterling and dollars, now offers the complete spectrum in terms of liquidity, maturity and above all, appetite for corporate risk. For the first time, the treasurer of a European corporate now has the opportunity to source significant liquidity in his or her own backyard using less than onerous documentation. The US market finally has some competition.

More importantly, the Euromarket is working. We do not need to list the benchmark deals of the past 12 months to point out the significant sums raised by corporates during the year, whether in euro, sterling or dollars, whether in the three, five, seven, 10 or even 30 year maturity.

Whilst, it is all too easy to quote issuance levels gleaned from the league table vendors (UK corporates raised the equivalent of £22bn in the Euromarkets in 1999, against less than £11bn in 1998), it is more interesting to look at the main trend that emerged during the year, namely credit analysis.

Credit analysis

Everyone, from issuance house to bank to insurance company to pension fund, is analysing credit in ever-increasing detail. It is no longer sufficient for new issues to be accompanied by a rating and brief credit research note. Investors are thirsty for knowledge and as such have become very keen to hear the story straight from the horse's mouth: what are the board's policies on gearing and interest cover? How wedded to your current ratings are you? How would a major acquisition be funded? These are all questions typically asked.

This thirst for knowledge has also re-emphasised the importance of ongoing investor relations in the debt market. For many years, corporates have tended to overlook updating their bondholders on a regular basis. Indeed, even banks require at least an annual update. If this article were to chance upon a trend for the new millennium, is it that corporates should instigate a formal way of sharing their progress with bondholders?

In Europe, there is now a bond market to be proud of; it is up to corporates to make the most of it. This will include maintaining a higher level of dialogue with the people that matter – the fund managers and of course, the ever present credit analyst. ■

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INTERNATIONAL BONDS

These are a selection of bonds announced recently. The details, updated to the middle of last month, were supplied by *IFR Securities Data, London* and other sources.

Issuer	Launch rating M	Launch rating S&P	Amount (m)	Coupon (%)	Price	Maturity	Launch Spread (bp)	Fees (%)	Bookrunner
BP Amoco Capital	Aa1	AA+	USD100	7	101.625 100R	24 Nov/04		1.875	Morgan Stanley Dean Witter
Crown Cork & Seal Finance	Baa2	BBB	EUR300	6	99.685 99.685R	6 Dec/04	140	0.50	JP Morgan Securities Salomon Smith Barney
France Telecom SA	NR	NR	EUR622.7	4.125	100	29 Nov/04		1.90	Credit Suisse First Boston
Rank Xerox Capital Europe	A2	A	EUR750	5.25	99.817 99.817R	3 Dec/04	73	0.30	JP Morgan Securities Nikko Salomon Smith Barney
SCCI SpA	Aaa	AAA	EUR1550	*	100	31 Jul/03		0.09	Merrill Lynch Paribas Caboto SpA
Scottish Power	Aa3	A+	GBP50	5.75	100	9 Dec/39		*(a)*	Deutsche Bank AG HSBC Capital
Tesco	Aa3	NR	GBP200	6	98.592 98.592R	14 Dec/29	170	0.625	Deutsche Bank AG Morgan Stanley Dean Witter HSBC Markets

** Floating rate note. Launch ratings are from Moody's (M) or Standard & Poor's (S&P). NR = Not Rated. R = fixed re-offer price. Launch spread is over comparable government bond. (a) Undisclosed.*