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## Lincoln to Sell Debt as Spreads Seen Narrowing: New Issue Alert

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June 15 (Bloomberg) -- Lincoln National Corp., the insurer that took a U.S. bailout, plans to sell notes as Moody's Investors Service said it expects relative yields on corporate bonds to fall as corporate earnings grow and defaults decline.



Lincoln, which bought a lender in late 2008 to qualify for federal aid, will offer as much as \$750 million in notes and \$335 million of stock to repay its \$950 million rescue, the Philadelphia-based company said yesterday in a statement distributed by PR Newswire.

Moody's expects spreads to narrow following the recent "European-inspired erosion of U.S. corporate credit worth" because companies are boosting profits and fewer high-yield, high-risk issuers will default this year, John Lonski, chief economist at Moody's Capital Markets Group in New York, wrote in a research report dated yesterday.

"A recovery by cash flow amid corporate borrowing restraint and ongoing monetary stimulus should narrow credit risk premia following a satisfactory resolution of sovereign debt issues," Lonski wrote in the report. The trailing 12-month high-yield default rate may decline to 2.7 percent by December 2010, from November 2009's peak of 14.5 percent and April 2010's 7.9 percent, the report said.

Chief financial officers in the U.S. said they expect earnings growth of 12.1 percent in the next 12 months, according to the Duke University/CFO Magazine Global Business Outlook Survey, the results of which were released June 9.

### CFO Outlook

The CFOs' outlook suggests that the high-yield bond yields relative to Treasuries of similar maturity is at least 2 percentage points too high, Lonski wrote in yesterday's report, which said there is a "relatively strong historical correlation" between the survey results and high-yield spreads.

Sales in June of corporate bonds rated below Baa3 by Moody's and BBB- by Standard & Poor's are headed to fall short of the \$6.8 billion of securities issued in May, the lowest since March 2009, according to Bloomberg data.

Potential issuers "are sitting around waiting to see when the next shoe is going to fall," said Christian Wagner, who helps oversee \$150 million as chief investment officer of Longview Capital Management in Wilmington, Delaware.

"Many companies are choosing to wait to issue at lower prices," said Wagner, who said Longview has increased its holdings in corporate bonds and Treasuries by about 20 percent from last month, to 35 percent.

### Moody's Cuts Greece

Relative yields have increased as European leaders face growing skepticism about their ability to contain the region's sovereign debt crisis. Moody's cut Greece's credit rating four steps and into junk status yesterday, from to Ba1 from A3. The country, which was already rated junk by S&P, last month agreed to a package of additional austerity measures to qualify for financial aid from the European Union and the International Monetary Fund.

Moody's said the "macroeconomic and implementation risks" for Greece associated with the EU-IMF support program "are substantial and more consistent with a Ba1 rating."

Lincoln and Hartford Financial Services Group Inc., the Connecticut-based carrier that repaid \$3.4 billion in U.S. aid in March, won relief funds in 2009 after appealing to Treasury for the same support offered to banks during the 2008 financial crisis. Hartford sold \$1.1 billion of notes in March in a three- part offering, according to Bloomberg data.

The extra yield investors demand to own investment-grade debt instead of Treasuries fell 2 basis points to 211 basis points yesterday, according to the Bank of America Merrill Lynch's U.S. Corporate Master index. A basis point is 0.01 percentage point.

### High-Yield Spreads

Spreads on high-yield debt fell 11 basis points to 716 basis points yesterday, according to Bank of America Merrill Lynch's U.S. High Yield Master II index. That's 192 basis points from the year's low of 542 basis points on April 26.

Toyota Motor Corp., the world's largest automaker, sold \$2 billion of five- and 10-year notes through its finance arm, and Genzyme Corp. issued \$1 billion of debt in a two-part sale in yesterday's only corporate bond offerings, according to data compiled by Bloomberg. Companies issued \$9.4 billion of debt last week, Bloomberg data show.

Following is a description of the \$4.9 billion pending sales of dollar-denominated bonds in the U.S.

#### Investment Grade

CHILE plans to sell \$1 billion of 10-year bonds, along with its debut sale of peso securities, Finance Minister Felipe Larrain said. The country will "certainly" issue the debt this year, Larrain said. Proceeds will be used to help finance repairs after the February earthquake, Larrain said.

DOHA BANK QSC, Qatar's third-largest bank, plans to sell senior notes in dollars, the lender said in a statement on the Qatari bourse, without disclosing the size of the offering.

FORETHOUGHT FINANCIAL GROUP INC. plans to sell \$150 million of 10-year bonds, according to a person familiar with the transaction, who declined to be identified because terms aren't set. S&P assigned the notes a grade of BBB- in a March 24 report.

#### Not Rated

The PROVINCE OF CORDOBA, Argentina, plans to sell as much as \$350 million of bonds in international markets once the federal government completes a restructuring of defaulted debt, Banco de Cordoba said.

SENSIENT TECHNOLOGIES CORP. said it entered into an agreement with a group of four financial institutions for the issuance of \$110 million in fixed-rate, senior notes, according to a Nov. 19 statement distributed by Business Wire. The company plans to issue seven-year debt to repay existing indebtedness, Sensient said in a March 1 regulatory filing.

#### High Yield

TITLEMAX HOLDINGS LLC, the automobile title lending company, plans to sell \$225 million of five-year senior secured first-lien notes, according to a person familiar with the transaction. Proceeds will be used to repay outstanding debt, said the person, who declined to be identified because terms aren't set. The issue is expected to be rated B2 by Moody's and B+ by S&P, the person said.

AKBANK TAS, the Turkish bank part-owned by Citigroup Inc., plans to sell five-year, dollar-denominated eurobonds worth up to \$1 billion, according to a filing with the Istanbul Stock Exchange.

CEDAR FAIR ENTERTAINMENT CO., the operator of amusement parks that called off a takeover by an Apollo Management LP affiliate, said it plans to sell \$500 million of senior unsecured notes due in 2020. Proceeds will be used to repay existing debt, the Sandusky, Ohio-based company said in a May 20 statement distributed by PR Newswire.

WILLBROS GROUP INC. plans to sell \$250 million of six-year notes and seek a \$50 million term loan to help pay for its acquisition of InfrastruX Group Inc., according to a company statement distributed by Marketwire. Willbros will also use 7.9 million shares of its stock and cash on hand to pay for the acquisition, it said in the statement. Moody's rates the notes B3 and S&P ranks them B+.

IRSA INVERSIONES Y REPRESENTACIONES SA, Argentina's biggest real-estate company, extended an offer to sell \$250 million in 10-year bonds until June 24, the company said in a regulatory filing in Buenos Aires on June 14. S&P assigned the notes a grade of B-, six steps below investment quality.

CAPELLA HEALTHCARE INC., the hospital operator backed by private-equity firm GTCR Golder Rauner LLC, Capella plans to sell \$500 million of seven-year notes, according to a person familiar with the transaction. Proceeds will be used to refinance Capella's existing first-lien credit facilities and second-lien term loan, Moody's Investors Service said in a report.

TITAN INTERNATIONAL INC., the maker of tire and wheel systems for off-highway equipment, said it plans to sell at least \$150 million of senior unsecured notes. Proceeds will be used to repurchase the 8 percent senior unsecured notes due in 2012 and for general corporate purposes, the Quincy, Illinois-based company said in a May 13 statement distributed by Business Wire.

INVENTIV HEALTH INC., the provider of sales and marketing services to science companies that is being acquired by Thomas H. Lee Partners, may sell \$275 million of senior notes to back the purchase, it said in a regulatory filing.

CITGO PETROLEUM CORP., a U.S.-based unit of Petroleos de Venezuela SA, plans to sell \$1.5 billion of secured notes due in 2017 and 2020, according to a person familiar with the offering. S&P assigned the notes a grade of BB+, one step below investment-grade quality.

#### Offerings in Pipeline

LINCOLN NATIONAL CORP., the insurer that took a U.S. bailout, plans to sell as much as \$750 million in notes and \$335 million of stock to repay its \$950 million rescue, the Philadelphia-based company said in a statement distributed by PR Newswire. JPMorgan Chase & Co. will lead the debt and stock offerings, and Bank of America Corp., Deutsche Bank AG and US Bancorp will assist on the debt offering.

URUGUAY may sell as much as \$1 billion of bonds in 2011, including \$500 million of dollar-denominated debt, Carlos Steneri, director of public credit at Uruguay's Ministry of Economy and Finance, said June 3 at a LatinFinance conference in London. The dollar-denominated bonds may have a maturity of 20 years or more, Steneri said.

MALAYSIA plans to raise about \$1 billion from its first sale of conventional dollar bonds in eight years after drawing bids for five times the Islamic debt it offered, a finance ministry official said. The government may hire the same banks, including CIMB Group Holdings Bhd. and HSBC Holdings Plc, to arrange the sale by Sept. 30, said the official, who declined to be named as the discussions are private. Malaysia raised \$1.25 billion from its first Shariah-compliant dollar bond in eight years on May 27. Malaysia is rated A3 by Moody's and A- by S&P.

INDOSAT PALAPA CO., a unit of Indonesia's second-largest phone operator, delayed a planned dollar bond sale until market conditions improve, a person familiar with the matter said May 26. Indosat began meetings with investors in Asia, the U.S. and Europe on May 12 to gauge demand for a global bond sale, according to a company statement sent to the Indonesian stock exchange that day. Moody's assigned a provisional Ba1 rating to the notes and S&P rated them BB, one step lower.

SABIC CAPITAL, a unit of Saudi Basic Industries Corp., delayed a bond sale because of unfavorable spreads, Chief Financial Officer Mutlaq al-Morished said. The bond offer received more than \$1 billion in investor interest, he said in a May 26 telephone interview. The spreads were "not what we wanted," he said. Sabic Capital had hired HSBC Holdings Plc, JPMorgan Chase & Co. and Royal Bank of Scotland Group Plc to sell a benchmark-sized bond, al-Morished said in a May 17 telephone interview.

GHANA is considering selling its second dollar bond next year to tap investor demand as the start-up of oil production boosts economic growth and narrows the budget deficit, Deputy Finance Minister Fifi Kwetey said. The government is considering a "no-deal roadshow" as early as the fourth quarter to gauge international investors' appetite, Kwetey said in a May 26 interview in Abidjan. Ghana sold its first global bond in 2007, raising \$750 million to help fund the construction of roads and power plants.

ANGOLA received credit ratings from Moody's, S&P, and Fitch Ratings that put it on par with Nigeria, Lebanon and Belarus, and paved the way for a planned sale of international bonds this year. The southern African nation's creditworthiness was rated at B+ by S&P and Fitch, four levels below investment grade. Moody's assigned an equivalent ranking of B1.

{Updated May 24. See {TNI ANGOLA NEWBON <GO>}.}

EURASIAN NATURAL RESOURCES CORP., a London-based iron ore and alumina producer with operations in China and Russia, said it delayed its first dollar bond sale. The company is "postponing meetings with investors regarding a potential bond issuance under its Euro Medium Term Note program until further notice," Charlotte Kirkham, a spokeswoman for ENRC, said in an e-mail. The company had hired Deutsche Bank AG and Morgan Stanley to manage the sale, according to a person familiar with the transaction.

KAZAKHSTAN plans to sell between \$500 million and \$750 million in bonds to investors abroad

in the autumn, Kazakh Finance Minister Bolat Zhamishev said in a May 14 interview. The bonds will probably be denominated in dollars and will be used to set a benchmark for corporate borrowing, Zhamishev said.

QATARI DIAR REAL ESTATE INVESTMENT CO. may raise about \$1.5 billion by selling global bonds backed by Qatar, according to a person familiar with the sale plan. The developer may offer 10-year conventional bonds and 5-year Islamic securities, said the person who declined to be identified because details of the transaction haven't been completed. HSBC Holdings Plc and Barclays Capital are among banks expected to manage the sale, according to the person.

CREDIT EUROPE BANK LTD. plans to sell three-year bonds in dollars, according to people with knowledge of the sale. The notes may be priced to yield 7.75 percent to 8 percent, the people said. Citigroup Inc. is managing the sale.

CHINA ORIENTAL GROUP CO. plans to sell senior notes to provide working capital and possibly to finance the purchase of steel mills and iron ore assets in China. Deutsche Bank AG will manage the sale with ING Groep NV, according to a statement to the Hong Kong stock exchange.

OAO SBERBANK, Russia's biggest lender, may sell \$1 billion of dollar-denominated bonds for the first time in two years when debt markets improve, Deputy Chief Executive Officer Anton Karamzin said. Sberbank will consider selling \$1 billion of "five-year senior unsecured" notes to establish a benchmark "if the price is right," Karamzin said. Sberbank hired DZ Bank AG, JPMorgan Chase & Co. and Royal Bank of Scotland Group Plc to organize meetings with bond investors, a banker involved in the transaction said April 29.

BANK FOR INVESTMENT & DEVELOPMENT OF VIETNAM received approval from the central bank to issue 7 trillion dong (\$369 million) of notes and another 3 trillion dong of dollar-denominated notes in 2010, according to a statement on State Bank of Vietnam's Web site.

BOLIVIA plans its first international bond sale in more than 70 years as early as the end of 2011, Finance Minister Luis Arce said. He didn't disclose the size of the offering.

KOREA FINANCE CORP. plans to sell \$100 million to \$200 million of foreign-currency bonds in its first overseas debt sale since October, Edaily reported, without citing anyone. The state-run agency also plans to sell \$1 billion of global bonds in the U.S. in the second half of the year, the Korean-language online newspaper said.

NATIONAL AGRICULTURAL COOPERATIVE FEDERATION of South Korea, known as Nonghyup, hired five banks to help it sell U.S. dollar-denominated bonds, according to two people with knowledge of the matter. Citigroup Inc., Credit Agricole CIB, ING Groep NV, Morgan Stanley and Royal Bank of Scotland Group Plc will help the company with the benchmark offering, the people said. The federation, which provides credit and banking services to farmers, is considering a

maturity of 5 1/2 years, according to one of the people. Moody's Investors Service rates Nonghyup A1.

PTT PRODUCTION & EXPLORATION PCL, the Thai oil explorer, hired Credit Suisse Group AG and Royal Bank of Scotland Group Plc to help it sell global bonds, according to two people familiar with the matter who asked not to be identified as the plan is private.

POWER SECTOR ASSETS AND LIABILITIES MANAGEMENT CORP. of the Philippines may sell between \$750 million and \$1.5 billion of dollar-denominated bonds "anytime" to help refinance maturing debt through next year, Vice Chairman Jose Ibazeta said. The company manages the finances of state utility National Power Corp.

BRISBANE AIRPORT CORP., owner of Australia's third-busiest airport, may sell bonds in the U.S. later this year as it pursues new markets to help refinance debt and pay for a new runway. The company is considering a 10- or 15-year U.S. private placement and a five- to seven-year Australian dollar bond sale in late 2010 or early 2011, Chief Financial Officer Tim Rothwell said in a phone interview from Brisbane.

VIETNAM NATIONAL COAL-MINERAL INDUSTRIES GROUP, the state- owned coal producer known as Vinacomin, plans to sell as much as \$500 million of bonds overseas this year to fund mining and energy projects, according to Deputy Chief Executive Officer Nguyen Van Hai.

FINLAND may sell five-year bonds denominated in dollars this year, the Finnish Treasury said in a document posted on its Web site.

POLAND may delay selling dollar-denominated bonds until July or the autumn, Deputy Finance Minister Dominik Radziwill was quoted as saying by PAP newswire. Poland may sell bonds in euros as early as the autumn to prefinance its 2011 borrowing needs, Radziwill was quoted as saying.

MONGOLIA plans to sell as much as \$1.2 billion of bonds overseas this year to fund infrastructure to support its mining industry, Finance Minister Sangajav Bayartsogt said. This is Mongolia's first benchmark offering of dollar-denominated debt. Investment banks are advising Mongolia to issue debt with maturities of between 5 and 10 years, Bayartsogt said in an interview. The securities may offer a yield of between 8 percent and 11 percent, he said.

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