



CREDIT SPECIAL

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EUR Corporate bond market: some signs of life at last

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After more than a week with no new issue at all, the EUR Corporate bond market saw a cautious reopening on last Friday with Engie (A/ A-/ A) and Unilever (A1/ A+/ A) placing some rather large tickets of €2.5bn and €2bn, respectively. Both issuers offered sizably higher spreads than seen in the previous months and quarters. According to Bloomberg, the tranches of Engie (5y, 8y green bond, 12y green bond) were priced at 160 bp, 180 bp. and 210 bp, while Unilever paid 140 bp and 170 bp for their 5y and 10Y bonds. Both issues included make whole clauses and par call options (1 or 3 months). In the case of Unilever, the oversubscription was particularly large as offers amounted to almost €12bn – sizably more than in the case of Engie.

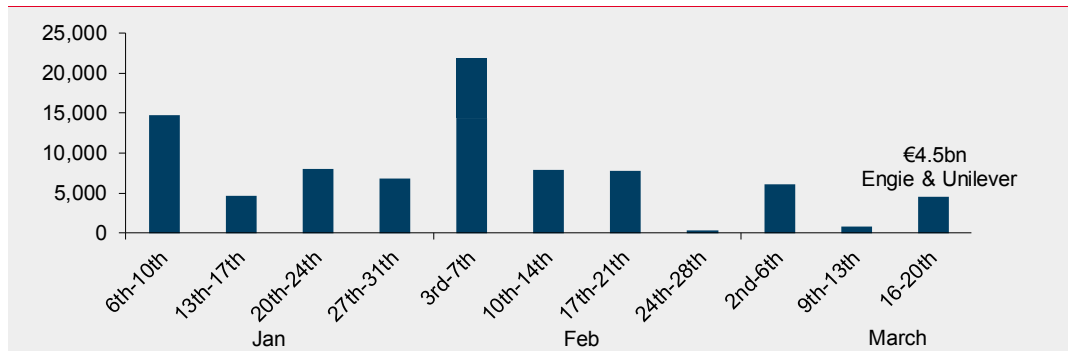
Our conclusions of these two transactions are the following:

- 1) The bond market remains open to premium issuers – big issuers from a non-cyclical sector with a very good rating
- 2) High price concessions are necessary to make your issue fly
- 3) Investors are still willing to accept features like make whole clauses and par calls
- 4) Good credit quality comes first – green features help to attract additional investor interest

We believe that market activity will remain subdued in the coming weeks. Placements will likely be dominated by the above mentioned group of corporates. For some of the other issuers it might be worthwhile to have a look at the Schuldschein market, a segment that proved to be very resilient during the crisis year of 2008. We expect that some further SSD transactions will come to the market place in the next couple of days and weeks.

EUR Corporate bond market: slowdown in March

Volume in €m



Sources: Bloomberg, Helaba Research ■

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