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European groups leap into bonds

By Mary Watkins in London

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European companies and financials jumped back into the bond market on Monday as they sought to take advantage of the positive market sentiment following last week's package of measures designed to tackle the eurozone crisis.

The optimism surrounding the outcome of the summit – which saw European leaders agree, among other things, to allow the eurozone rescue fund to recapitalise Spain's banks and buy Italian sovereign bonds – continued to lift European markets on Monday, encouraging corporate issuers back into the market.

More than €7bn of bonds had been priced by early evening on Monday, according to Barclays, one of the busier days this year, with the final amount raised by European companies and financials likely to be more.

European banks alone raised more than €4bn in the senior unsecured bond market – nearly half what was raised in the senior unsecured bond market for the whole of the second quarter.

The rush mimics similar bursts of issuance activity by companies following the Greek elections and the initial announcement of an international bailout for Spain's banks. However, those rallies were shortlived

Among those to tap bond investors on Monday were Lafarge, Danske Bank and Swiss Re.

“It's been a huge grab-fest, with investors wanting to add risk aggressively. The focus has so far been on the core [eurozone countries], but we are seeing peripheral paper benefit too. As a result, the momentum is very supportive for issuance,” said Suki Mann, head of credit strategy at Société Générale.

But he said investors were still apprehensive about Spain and the potential for further volatility despite the positive news from last week's summit.

Bankers said issuers were pricing to get deals away while there was an opportunity. Investors, meanwhile, felt sufficient progress had been made at last week's summit to encourage them back into the market.

“Issuance volumes have been picking up as issuers take advantage of the stability and are mindful that we haven't had a three or four week period where European markets have been

open for some time now. There are many challenges ahead,” said Jonathan Brown, head of bond syndicate Europe at Barclays.

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