THE WALL STREET JOURNAL. ONLINE

November 19, 2003 8:14 p.m. EST

CREDIT MARKETS

'Yankee Bond' Issues Set a Record

Hutchison Sells $5 Billion Of Debt as Foreign Firms Flock to the Dollar Market

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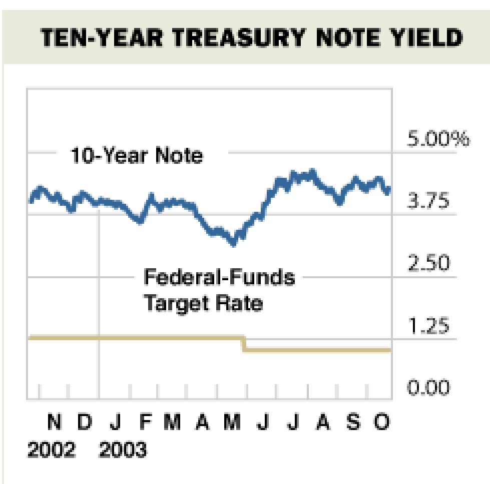
DOW JONES NEWSWIRES

NEW YORK -- Hong Kong conglomerate **Hutchison Whampoa** sold $5 billion in dollar-denominated debt, underscoring the attractiveness of the U.S. bond market for global funding.

Low U.S. interest rates, strong demand for dollar-denominated corporate bonds and opportunities to invest proceeds in fast-growing overseas markets have been driving foreign companies into the dollar debt market.

Wednesday, issuance of U.S. dollar-denominated bonds by foreign entities, or so-called Yankee bonds, broke the previous annual record set in 1998. The day's volume of $7 billion pushed total Yankee bond issuance so far this year to more than $85 billion, compared with $79.6 billion in all of 1998, according to Thomson Financial.



Along with Hutchison's $5 billion offering, **Australia & New Zealand Banking Group** sold $1.1 billion, the Province of Ontario sold $1 billion, and Chilean electric utility **Enersis** SA sold $350 million in bonds.

The dynamics of the global economy make a Yankee deal for a company such as Hutchison particularly attractive, said Hong Yi Chen, currency strategist at Banc of America Securities. "Companies can raise money in the U.S. and invest in Asian markets where the growth is faster and they can get a very high return," said Mr. Chen.

In China, for instance, the economy has posted a growth rate of 8.5% for the past nine months, he added. Any appreciation in the currency in which the dollar proceeds are invested would also increase the return on dollar funding, Mr. Chen said.

The Hutchison deal included a $1.5 billion, seven-year portion sold at a yield margin over Treasurys of 1.85 percentage points, for a yield of 5.45%; a $2 billion 10-year part priced at a yield margin of 2.05 percentage points, for a yield of 6.261%; and a 30-year part priced at a yield margin of 2.40 percentage points, for a yield of 7.469%.

Rated single-A3 by Moody's Investors Service and single-A-minus by Standard & Poor's, the deal was led by **Goldman Sachs**, **Citigroup**, **HSBC** and **Merrill Lynch**. Syndicate officials were unable to comment, as the issue was brought in the private market and wasn't registered with the Securities and Exchange Commission.

Foreign corporations coming to the U.S. debt market also have benefited from the tight yield margins and liquid environment of the corporate-bond market.

At the same time, a desire for diversification has driven investors to purchase Yankee debt.

"There is a desire for name diversification that will keep demand for rare names going, and, by definition, many of these names will be non-U.S. and infrequent issuers," said Nigel Cree, head of debt syndicate at Deutsche Bank in New York.

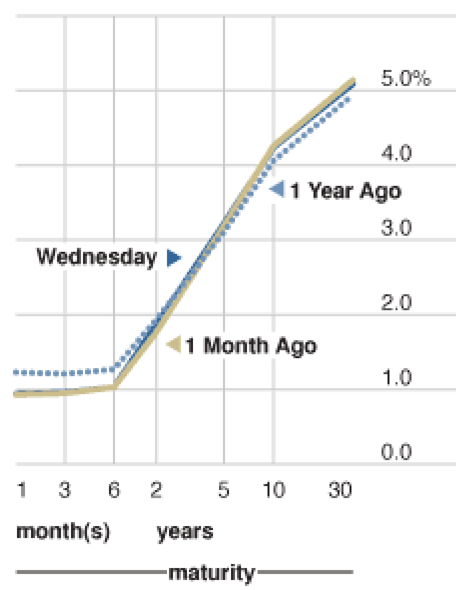
Some institutional investors have limits on the amount of debt they can hold of any one issuer. And as investors have been piling into corporate bonds, many have reached these caps -- hence, the strong interest in new names.

Diversification is a very strong technical factor in the composition of portfolios, especially from a new issue calendar perspective, said Scott Moses, a trader of investment-grade bonds at Delaware Investments.

Foreign issuers in the dollar-denominated market in recent months have included **Telecom Italia** SpA, Rabobank, **Telefonos de Mexico** and **ANZ**. Because of their infrequent appearance on the U.S. market, those issuers will pay a premium on yield margins to attract the investors, which adds to the appeal of the securities.

TREASURY YIELD CURVE

Yield to maturity of current bills, notes and bonds.



Source: Reuters

Treasurys

Treasurys fell sharply as investors booked profits in a market many saw as overbought. A large amount of corporate-debt issuance also helped pressure Treasurys.

At 4 p.m., the benchmark 10-year note was down 26/32 point, or $8.125 per $1,000 face value, at 100 1/32. Its yield rose to 4.247% from 4.148% Tuesday, as yields move inversely to prices. The 30-year bond fell 1 12/32 points to 104 4/32 to yield 5.092%, up from 5.002% Tuesday.

Traders said buyers became more scarce in Treasurys after the 10-year note yield reached a session low around 4.12% to 4.14% early in the day.

"There's a little bit of selling due to profit-taking, but there isn't anything dominant pushing prices around," said Thomas Girard, senior portfolio manager at Weiss, Peck & Greer Investments in New York. Economic reports during the session were "really secondary" to the selloff, he said.

Swings in bond prices have become common in recent months as investors and dealers have struggled to find fair value amid signs that the economy is gathering steam, while the Federal Reserve has insisted it will keep short-term rates on hold for what it terms a "considerable period."

--Agnes T. Crane contributed to this article

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Updated November 19, 2003 8:14 p.m.