

Corporate bond deals take off

Cordell Eddings

New York | Blue-chip companies led by Apple, IBM and Toyota raised more than \$US23 billion (\$32 billion) in bonds in the US on Tuesday following a week where debt issuance was frozen amid concerns about the health of the global economy.

In what was the second biggest day for debt sales this year, Apple issued \$US12 billion of bonds in nine parts to return capital to shareholders, according to Bloomberg data. IBM sold \$US5 billion of notes that will be used for general corporate purposes. Toyota Motor Credit Corporation, the financing arm of Asia's biggest automaker, issued \$US1.75 billion of debt in two parts.

"This is a test. The market will let the high quality guys go first and see what happens from there," said Thomas Murphy, a money manager at Colum-

bia Threadneedle Investments. "The market isn't open for everyone yet."

Corporate debt sales are off to the worst start to a year since 2010 as a global rout has ensnared credit markets and pushed bond spreads to the highest level in four years on February 11. The pick-up in debt offerings on Tuesday comes as US stocks climbed for a second day following the biggest rally in Chinese equities in three months, and after Honeywell International on Monday sold €4 billion (\$6.2 billion) of bonds in the year's biggest corporate sale in the currency.

Tuesday's tally lags only behind the \$US48.9 billion sold on January 13, when Anheuser-Busch InBev raised \$US46 billion of bonds.

"If you can come to market, why wouldn't you?" said Joe Mayo, the head of credit research at Conning, a global insurance investment manager.

BLOOMBERG

Break up banks, says ex-Goldman exec

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Washington | A former Goldman Sachs banker turned US Federal Reserve official who led the American government's bailout of the financial sector in 2008, has warned that Wall Street lenders are still "too big to fail" and a risk to the economy.

Federal Reserve Bank of Minneapolis president Neel Kashkari said "serious consideration" should be given to breaking up large banks into "smaller, less connected, less important entities".

The provocative remarks by Mr Kashkari in his first speech as a Fed official breathed new life into the unresolved debate about whether taxpayers remain at risk in backstopping big banks in financial meltdowns.

The biggest banks are still too big to

fail and continue to pose a significant risk to our economy," Mr Kashkari said in Washington on Tuesday.

His comments provide ammunition to Democratic presidential candidate Bernie Sanders, who is campaigning to "break up" the big banks.

Last week, fears about the stability of European leaders, led by Germany's Deutsche Bank, spooked financial markets and triggered a sharp sell-off in bank stocks around the globe, including in Australia.

Mr Kashkari, who ran unsuccessfully for governor of California as a Republican two years ago, likened the dangers posed by big banks to a nuclear power plant.

"The cost to society of letting a reactor melt down is astronomical," Mr Kashkari said.

"Given that cost, governments will do whatever they can to stabilise the

reactor before they lose control." Mr Kashkari was a Goldman Sachs executive before running the US Treasury's \$US700 billion Troubled Asset Relief Program to rescue banks in the aftermath of the 2008 financial crisis.

As a new member of the Fed, Mr Kashkari flagged that he would push for new measures to safeguard the economy from failing big banks.

Options included breaking up large banks, forcing big lenders to hold extra capital and taxing leverage in the financial system, he said.

In Australia, the government's financial system inquiry recommended the big four banks hold extra capital to protect taxpayers from any future financial meltdown or big downturn in the property market.

The big four have raised billions of dollars in extra capital over the past six months.

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