

[THE ENDGAME:] Day Late and a Dollar Short

By Ken Jacques | March 01 2024

IGM

...Well, \$575m short to be exact. That's just by how much February high grade issuance missed hitting the \$200bln mark for only the sixth time in history. While four borrowers chose to tap the market following the latest read on inflation and the economy, they could only manage to raise \$2.9bln, bringing the month's total to \$199.425bln, falling short of the illusive \$200bln mark by a mere \$575m.

Still, it was more than enough to (1) top all monthly estimates, including the \$175bln (2) surpass January's record-setting \$195.62bln (3) rank this month as the sixth busiest ex-SSA issuance month of all-time. The \$53.55bln priced this week, not only topped all expectations - the highest guess was calling for \$45bln to cross the tape this week but also ranks this week as the third busiest issuance week of the year.

The unprecedented monthly total was boosted by what appears to be a thawing out of the M&A-related deep freeze, with seven such deals pricing during the month accounting for \$51.15bln, or 25.7% of the month's final tally, or 12.9% this year's total issuance. M&A-related transactions accounted for 8.5% (\$128.4bln) of last year's total issuance of \$1.209.655bln.

Needless to say, with the breakthrough in the M&A-related space, corporate industrial issuance (both domestic and foreign) dominated this month's landscape with 41 deals accounting for \$114bln, or 57%, of this month's final tally. That was followed by a 35% contribution from FIGs, and a 7% share from utility companies.

Investors showed a penchant for a dichotomy of assets of late. On the one hand, in a search for yield, they flocked to the six subordinated debt offerings that priced this week. Combined, those six raised \$6.3bln, while building a book of nearly \$28bln. Sumitomo Mitsui Financial Group's \$1bln perpnc10.25 subordinated debt issue was 9.75x oversubscribed. At the same time, the sub deals contracted an average of 40bpn from IPT/PX. On the other hand, investors took a more defensive posture, pouring into the nine utility deals (\$9.575bln) that priced this week, submitting orders for \$15.6bln.

After just two months, ex-SSA issuance stands at \$395.045bln, some 23.1% ahead of last year's pace of issuance and more than was priced in the first quarter of six of the last 10 years. Overall (SSA-inclusive) issuance also enjoyed a banner month, with the final tally coming in at \$230.375bln. Not only did it set a new February record, but it also now ranks as the sixth busiest overall issuance month of all time.

While February turned in totally unexpected issuance results, it remains to be seen just how it will affect issuance next month. March is one of the most prolific issuance months of the year, ranking number one over the last decade. Over the last 10 years, the month of March has averaged \$153.383bln, with as much as \$231.9bln pricing in March of 2022, and as little as \$101.04bln pricing in March of last year. What also may have a negative impact on issuance next month is an early Easter (March 31), though it appears to have had little influence on issuance over the past five years. The week before Easter (Holy Week) has yielded, on average, a little less than \$20bln, with as much as \$38.05bln pricing in 2020, and as little as \$9.05bln pricing last year.

While we have yet to conduct our official weekly and monthly issuance polls, early indications are that we could see as much as \$40bln come to market next week, and as much as \$165bln price during the month of March.

The broader markets breathed a collective sigh of relief today after a bevy of data crossed the tape. Personal income came in higher than expected, while personal spending was right in line with expectations. The Fed's preferred inflation gauge, the PCE, price index also came in much as expected, while initial jobless claims rose 13k from the previous week, though not enough to raise a red flag, according to one of my colleagues.

As the market exhaled, the data altered the direction of the Dow (+47 points) closing higher for the first day in the last four, while the S&P500 (+0.54%) closed at a new high for the year. The Nasdaq, which is apparently still riding the AI wave, closed 0.84% higher at a new record high. All three were higher on the month. The Dow gained 2.2%, while the S&P500 (4.9%) and the Nasdaq (5.8%) turned in solid gains. Year-to-date, the Dow is up 3.3%, while the S&P500 and the Nasdaq are flirting with 6.5% gains on the year.

The Treasury market took the latest inflation data results in stride, with yields fell across the board, at least in the longer end of the curve, with the benchmark 10yr note closing at 4.25%, while the long bond closed at 4.38% both better by 2bp on the day, though the 2yr closed unchanged at 4.64%. Earlier in the week the 2yr yield hit a year-to-date high of 4.70%. while the benchmark 10yr traded as high as 4.31% and the long bond yield reached 4.44%.

Corporate spreads (+98bp), despite widening out by 2bp overnight, tightened 4bp over the course of the month. High grade spreads are 6bp tighter than at the beginning of the year, while the yield on the benchmark 10yr note rose 24bp this month, and has risen 35bp since the start of the 2024.

A3/BBB+	Safehold GL Holdings LLC (SAFE)
	\$300m [Safehold GL Holdings LLC] (SAFE) 10yr (4/1/34) SEC registered senior unsecured notes. A3/BBB+. BofA/GS/JPM/TSI. Guarantor: Safehold Inc. Denoms 2k x 1k. S/D 3/04 (I) (REIT)
IPT(s):	+215 area
GUIDANCE:	N/A
LAUNCHED:	\$300m 4/1/34 +200
PRICED:	\$300m 6.10% 4/1/34 98.957 6.24% +200 (TSY 4.00% 2/15/34)
BOOKS:	\$600m
NIC(s):	+14
COMP(s):	SAFE 2.80 06/15/31 \$81.27 ~T+176 G+174 SAFE 2.85 01/15/32 \$80.61 ~T+173 G+171

A3/BBB+/BBB+	TPG Operating Group II LP (TPG)
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	<p>\$600m (upped from \$500m) [TPG Operating Group II LP] (TPG) 10yr (3/5/34) SEC registered senior unsecured notes. A3/BBB+/BBB+. BofA(B&D)/MS/WFS. UOP: Together with the net proceeds of the Issuer s concurrent junior subordinated notes offering, to repay all or a portion of outstanding debt under the Issuer s Senior Unsecured Revolving Credit Facility and Senior Unsecured Term Loan and for general corporate purposes. Guarantor: TPG Inc. (NASDAQ: TPG) TPG Operating Group I, L.P., TPG Operating Group III, L.P. ,TPG Holdings II Sub, L.P. MWC. Par call 3mos prior to mat. COC @101. Denoms 2k x 1k. ISIN: US872652AA01, CUSIP: 872652AA0. NY Law. Om Distribution: The Preliminary Offering Memorandum will be made available via NetRoadshow. Upon completion of this transaction, please log in to NetRoadshow for the distribution of any unregistered Final Offering Memorandums. S/D 3/05 (F)</p>
IPT(s):	+185 area
GUIDANCE:	+165#
LAUNCHED:	\$600m (upped from \$500m) 3/5/34 +165
PRICED:	\$600m (upped from \$500m) 5.875% 3/5/34 99.903 5.888% +165 MW T+25 (TSY 4.00% 2/15/34)
BOOKS:	\$900m
NIC(s):	N/A (DEBUT)
COMP(s):	N/A

Baa3/BBB-	Bank of Montreal (BMO)
	<p>\$1bln [Bank of Montreal] (BMO) 60nc5 (5/26/84) SEC registered Fixed Rate Reset Limited Recourse Capital Notes, Series 4. Baa3/BBB-. BARC/BMO(B&D)/BNP/CACIB/GS/MS. UOP: The net proceeds will be contributed to the general funds of the Bank and will qualify as Additional Tier 1 capital of the Bank for regulatory purposes. Coupon type: Fixed rate, quarterly payments that reset every 5 years at the 5 year U.S. Treasury Rate yield plus the initial credit spread. Interest reset dates: May 26, 2029 and each fifth anniversary date thereafter. Coupon payment dates: Quarterly on February 26, May 26, August 26 and November 26 of each year, beginning on May 26, 2024 (short first coupon). Ranking: Senior to preferred shares, but upon a Recourse Event (other than an NVCC Trigger Event), LRCN holders receive Preferred Shares. Optional Redemption: The Notes may be redeemed on the Initial Interest Reset Date and on each Interest Payment Date thereafter, at the Redemption Price. Special Event Redemption following a Regulatory Event Date or Tax Event Date. Interest payments are non-deferrable. Recourse events: Non-payment in cash of interest by the Bank that is not cured within five business days immediately following an interest payment date. Non-payment in cash of the principal amount of the Notes by the Bank, including any accrued and unpaid interest, on the Maturity Date. An Event of Default (bankruptcy, insolvency, or liquidation of the Bank). Non-payment in cash of the Redemption Price by the Bank, in connection with the redemption of the Notes NVCC Trigger Event. Upon a Recourse Event (other than an NVCC Trigger Event), LRCN holders receive Preferred Shares of the Bank held in the Trust. NVCC Trigger Event: Upon an NVCC Trigger Event, LRCN holders receive a proportionate share of Common Shares of the Bank in exchange for the Notes upon automatic conversion of Preferred Shares held in the Trust. Conversion of Common Shares of the Bank based on a share value of US\$1,000 (plus declared and unpaid dividends, if any) expressed in Canadian dollars, C\$5.00 floor price and 1.00x multiplier. CUSIP: 06368LQ58 ISIN: US06368LQ586.</p>

	Marketing: https://www.netroadshow.com Passcode: BMO2024 (not case-sensitive). Sales to Canada: YES. Denoms 200k x 1k. S/D 3/8 (YF)
IPT(s):	8.125% area
GUIDANCE:	N/A
LAUNCHED:	\$1bln 5/26/84 7.70%#
PRICED:	\$1bln 7.70% 5/26/84 100.00 7.70%
BOOKS:	\$3bln
NIC(s):	N/A (DEBUT)
COMP(s):	N/A

A3/A-	Prologis Targeted US Logistics Fund LP (PROTAR)
	1bln [Prologis Targeted US Logistics Fund LP] (PROTAR) 144a/RegS 2-pt (5yr (4/1/29) & 10yr(4/1/34)) senior unsecured notes. A3/A- (s/s). PNC/USB/WFS(B&D). UOP: General Corporate Purposes, Working Capital, Refinance. MWC. Par call 1mo prior to mat (5yr), 3mo prior to mat (10yr). Guarantors: Prologis Targeted US Logistics Holdings LP, Prologis Targeted U.S. Logistics REIT, Inc.. Covenants: Debt / Total Assets 60% Secured Debt / Total Assets 40% Consolidated Income Available for Debt Service / Annual Service Charge 1.5x Total Unencumbered Assets* / Unsecured Debt 150%. Marketing: netroadshow.com Passcode: USLF2024. CUSIPs: 5yr: 144A: 74350LAA2 / REGS: U7430LAA3. 10yr: 144A: 74350LAB0 / REGS: U7430LAB1. Sales to Canada: NO. Denoms 2k x 1k. Expected to price sometime today. S/D 3/7 (F) (REIT).
IPT(s):	+135 area, +160 area
GUIDANCE:	5yr +110#, 10yr +135#
LAUNCHED:	\$500m 4/1/29 +110, \$500m 4/1/34 +135
PRICED:	\$500m 5.25% 4/1/29 99.477 5.368% +110 MW T+20 (TSY 4.00% 1/31/29) \$500m 5.50% 4/1/34 99.278 5.594% +135 MW T+25 (TSY 4.00% 2/15/34)
BOOKS:	\$1.8bln, \$2bln
NIC(s):	+05, +08
COMP(s):	PLD 4.375 02/01/29 \$97.79 ~T+62 G+63 PLD 2.250 04/15/30 \$85.91 ~T+68 G+69 PLD 5.125 01/15/34 \$99.25 ~T+98 G+98 PLD 5.000 03/15/34 \$98.52 ~T+95 G+95

	VOL	IPT/PX	XCVRD	NIC	TRADING
(TODAY) 02/29	2,900	-26	2.82	9.00	0.00
WK ENDING 03/01/24	54,100	-26	3.33	2.81	0.00

WK ENDING 02/23/24	60,300	-27	4.71	0.82	-2.42
WK ENDING 02/16/24	37,000	-29	4.64	1.09	-4.41
WK ENDING 02/09/24	46,575	-26	3.56	2.34	-2.33
WK ENDING 02/02/24	21,700	-23	3.92	1.86	5.28
WK ENDING 01/26/24	23,000	-28	4.23	-0.61	-45.00
WK ENDING 01/19/24	49,080	-27	4.22	-0.14	-4.71
WK ENDING 01/12/24	45,390	-27	3.92	2.62	-4.68
WK ENDING 01/05/24	57,900	-24	3.02	6.02	-1.10
WK ENDING 12/29/23	0	0.00	0.00	0.00	0.00
WK ENDING 12/22/23	700	-20.00	3.14	5.00	-1.00
WK ENDING 12/15/23	2,450	-25.13	3.14	5.00	-11.00
YTD "ZERO DAYS"	2	2023 /32			
YTD FRNS DROPPED	4	2023 / 39			
24-Feb	199,425	-26.51	3.93	1.89	-2.07
24-Jan	195,620	-25.66	3.73	2.70	-2.20
23-Dec	24,025	-23.94	3.04	5.59	-2.90
23-Nov	100,725	-25.50	3.95	7.40	-5.15
23-Oct	81,880	-22.37	3.45	6.06	-0.35

23-Sep	128,015	-24.60	3.40	4.59	-1.90
23-Aug	68,100	-27.16	3.67	4.40	-1.96
23-Jul	90,125	-25.58	3.55	6.56	-2.70
23-Jun	93,145	-23.68	3.21	7.46	-3.30
23-May	152,450	-23.80	3.36	9.46	-1.16
23-Apr	65,700	-23.85	3.44	8.05	-2.25
23-Mar	101,040	-26.00	4.15	10.18	-2.10
23-Feb	156,650	-24.01	3.51	8.09	-0.86
	VOL	IPT/PX	XCVRD	NIC	TRADING
2024 YTD	395,045	-26.09	3.83	2.30	-2.15
2023 YTD	320,940	-24.00	3.51	8.09	-0.90
24 VS '23 (% DIF)	23.10%	2.09	0.32	-5.79	-1.25
FEBRUARY	FEB VOL	LOW EST	AVE EST	HI EST	DIF (+/-)
2024	199,425	100,000	150,000	175,000	49,425
2024	2024 YTD	LOW EST	AVE EST	HI EST	DIF (+/-)
YTD	395,045	110,000,000	127,500,000	135,000,000	- 127,104,955