

[THE ENDGAME:] Damned if They Do, Damned if They Don't

By Ken Jaques | March 06 2024

IGM

The private sector hired fewer people last month than had been expected (140k vs 105k). The number of job openings in January declined from the previous month (8850k vs 9026k). And Fed Chairman Powell said nothing that he hasn't said before. The Fed is not ready to lower interest rates, not until it is convinced that inflation is moving sustainably lower.

Once again, Powell noted that lowering rates too quickly risks losing the battle against inflation and likely having to raise rates further, while waiting too long poses danger to economic growth. The Committee does not expect that it will be appropriate to reduce the target range until it has gained greater confidence that inflation is moving sustainably toward 2%, he said.

Evidently, the broader markets weren't all that satisfied with the chairman's outlook, nor the latest read on the jobs market, as the equity markets staged somewhat of a rebound from yesterday's drubbing, falling short of reclaiming yesterday's losses after a valiant attempt. The Dow closed 76 points higher, while the S&P500 was up 0.51% and the Nasdaq was higher by 0.58%.

The Treasury market reacted positively as well with yields falling across the board, though less so on the short end of the curve. The benchmark 10yr note yield fell another 2bp to close at 4.11%, its lowest level in a month, while the long bond yield dropped 3bp to 4.24%. Meanwhile the 2yr note yield actually rose 1bp from its closing level of last night at 4.55%, steepening the inversion of the 2yr/10yr curve to -44bp.

With investors otherwise occupied elsewhere, corporate borrowers were hesitant to vie for investor attention, stepping away from the primary market for the time being. In sharp contrast to the previous two sessions 25 borrowers raised \$42.334bln only four borrowers dared to tap the market today, adding just \$2.3bln to this week's tally. Still, that brought ex-SSA issuance for the week to just under \$45bln, the fifth busiest issuance week of the year while outdistancing all weekly estimates.

But the same cannot be said for seemingly impervious SSA issuers. Two more SSA offerings - a \$5bln 3yr global note offering from Kreditanstalt fuer Wiederaufbau and a \$1.25bln 10yr green offering from Asian Infrastructure Investment Bank brought SSA issuance for the week to \$19.25bln. Added to the ex-SSA total, the overall (SSA-inclusive) issuance total for the week now stands at \$63.884bln, again topping all weekly estimates, and ranking this week as the fifth busiest overall issuance week of the year.

With today's ex-SSA line up consisting of some very esoteric names, gathering metrics was a bit taxing, though we were able to cull the following. Today's deal contacted an average 28.1bp from IPT/PX, thanks in large part to Prudential Financial's 30nc10 junior subordinated deal which compressed 37.5bp.

From the books we were able to get, today's deals were 3.72x oversubscribed, again the PRU deal was 5.25x covered, further evidence with the investor love affair with subordinated debt. There have been 19 subordinated debt deals price thus far this year, raising \$22.74bln, 4.97% of total issuance. Last year 36 subordinated debt deals were pricing for \$45.355bln, or 3% of the year's total ex-SSA volume.

Baa3/BBB+/BBB+	Lazard Group LLC (LAZ)
	<p>\$400m [Lazard Group LLC] (LAZ) 7yr (3/15/31) SEC registered senior unsecured notes. Baa3/BBB+/BBB+ (s/s/s). CITI(B&D)/LAZ. UOP: Lazard Group intends to use a portion of the net proceeds from this offering (i) to repurchase all 2025 Notes that are validly tendered and not validly withdrawn and accepted for purchase pursuant to the Tender Offer, (ii) to repurchase, redeem, repay at maturity or otherwise retire any 2025 Notes that may remain outstanding following the Tender Offer and (iii) to pay fees and expenses related to the foregoing. Lazard Group intends to use the remaining amount of net proceeds for general corporate purposes. MWC. Par call 2mo prior to mat. CocC: Put @101%. Marketing: https://dealroadshow.com/e/LAZARD24 Passcode: LAZARD24. CUSIP: 52107QAL9 ISIN: US52107QAL95. Sales to Canada: YES. Denoms 2k x 1k. S/D 3/12 (F)</p>
IPT(s):	+215-220
GUIDANCE:	N/A
LAUNCHED:	N/A
PRICED:	\$400m 6.00% 3/15/31 99.96 6.007% +190 MW T+30 (TSY 4.25% 2/28/31)
BOOKS:	N/A
NIC(s):	+10
COMP(s):	<p>LAZ 3.625 03/01/27 \$95.27 ~T+104 G+105 LAZ 4.500 09/19/28 \$96.28 ~T+129 G+125 LAZ 4.375 03/11/29 \$95.61 ~T+127 G+127</p>

Baa1/BBB+/BBB	Prudential Financial Inc (PRU)
	<p>\$1bln [Prudential Financial Inc] (PRU) 30nc10(3/15/54)SEC registered jr sub notes. Baa1/BBB+/BBB (s/s/s). ACAD/BARC/CASOAK/DRXHAM/GS/HSBC/JPM/MS/SBRT/WFS(B&D). UOP: The issuer intends to use the net proceeds from this offering for general corporate purposes, which may include the redemption or repurchase of its \$1.0 billion aggregate principal amount of the 2045 junior subordinated notes. Optional Redemption: i. in whole or in part during the three-month period prior to, and including, March 15, 2034 (the Initial Interest Reset Date) or the three-month period prior to, and including, each subsequent interest reset date, at par ii. in whole or in part prior to December 15, 2033 at par plus the applicable make-whole premium iii. in whole, but not in part, at any time prior to March 15, 2034, within 90 days of the occurrence of a tax event at par iv. in whole, but not in part, at any time prior to March 15, 2034, within 90 days following the occurrence of a regulatory capital event at par v. in whole, but not in part, at any time prior to March 15, 2034, within 90 days of a rating agency event at 102% of par *See red for more details*. Coupon structure: Fixed-Rate-Reset, payable semiannually. Resets will occur on March 15, 2034 (the Initial Interest Reset Date) and every fifth anniversary thereafter at the 5-yr CMT rate plus a spread. Payment dates: March 15 and September 15 of each year beginning on September 15, 2024. Marketing: e-Red. CUSIP: 744320BP6 ISIN: US744320BP63. DRD/QDI eligible: NO. Sales to Canada: YES. Denoms: 2k x 1k. S/D 3/11 (F)</p>
IPT(s):	6.875% area

GUIDANCE:	N/A
LAUNCHED:	\$1bln 3/15/54 6.50%
PRICED:	\$1bln 6.50% 3/15/54 100.00 6.50% +240.4 (TSY 4.25 2/28/29)
BOOKS:	\$5.25bln
NIC(s):	+05
COMP(s):	PRU 5.700 09/15/48 \$98.28 ~T+202 G+198 PRU 3.700 10/01/50 \$87.21 ~T+205 G+105 PRU 5.125 03/01/52 \$93.23 ~T+213 G+212 PRU 6.000 09/01/52 \$99.45 ~T+198 G+197 PRU 6.750 03/01/53 \$103.80 ~T+207 G+207

Baa3/BBB-	Goldman Sachs BDC Inc (GSBD)
	\$400m [Goldman Sachs BDC Inc] (GSBD) 3yr (3/11/27) SEC registered senior unsecured notes. Baa3/BBB- (s/s). BofA(B&D)/SMBC/TSI. UOP: Proceeds of this offering will be used to pay down debt under GSBD s revolving credit facility. MWC. CoC: Yes, 100% (See Red). CUSIP: 38147UAE7 ISIN: US38147UAE73. Sales to Canada: YES. Denoms 2k x 1k. S/D 3/11 (F)
IPT(s):	+237.5 area
GUIDANCE:	+225 (+/-5)
LAUNCHED:	\$400m 3/11/27 +220
PRICED:	\$400m 6.375% 3/11/27 99.584 6.53% +220 MW T+35 (TSY 4.125% 2/15/27)
BOOKS:	\$1.2bln
NIC(s):	+10
COMP(s):	GSBD 3.750 02/10/25 \$98.12 ~T+135 G+91 GSBD 2.875 01/15/26 \$95.20 ~T+111 G+106

Baa3/BBB- /BBB-	AES Andes (AES)
	\$500m [AES Andes] (AES) 144A / Reg S 5yr (March 15, 2029) sr unsec green notes. Baa3/BBB-/BBB-. Via Citi, GS, Miz, Scotia, SMBC Nikko active joint bookrunners; BBVA, BNPP, CA CIB, JPM passive bookrunners. UOP: Pending allocation to finance or refinance new or existing Eligible Green Projects, AES Andes may use an amount equal to the net proceeds to purchase all of: (i) up to U.S.\$100,000,000 in aggregate principal amount of the U.S.\$328,407,000 aggregate principal amount of its outstanding 6.350% Junior Subordinated Capital Notes due 2079, (ii) any and all of the U.S.\$117,488,000 aggregate principal amount of its outstanding 5.000% Senior Notes due 2025, that are tendered, not withdrawn, and accepted for purchase pursuant to the concurrent tender offers launched by AES Andes, and (iii) to repay certain bank debt. Denoms: 200k x 1k. MWC, 1 month par call, tax changes call. S/D: 3/15 (T+7) (YU)
IPT(s):	+mid 200s area

GUIDANCE:	+225 area (+/-5)
LAUNCHED:	\$500m +220
PRICED:	\$500m 6.30% 3/15/2029 99.907 6.622% T+220
BOOKS:	\$1.45bln
NIC(s):	N/A
COMP(s):	AES 1.375 01/15/26 \$92.54 ~T+112 G+108 AES 5.450 06/01/28 \$100.19 ~T+129 G+121 AES 3.950 07/15/30 \$91.76 ~T+139 G+139 AES 2.450 01/15/31 \$82.18 ~T+152 G+151

Aaa/AAA/AAA	Kreditanstalt fuer Wiederaufbau (KFW)
	\$5bln [Kreditanstalt fuer Wiederaufbau] (KFW) 3yr (3/1/27) SEC registered senior unsecured global notes. Aaa/AAA. BofA/BARC/BMO/MS. Guarantor: Federal Republic of Germany. Denoms 1k x 1k. Target Market: Eligible counterparties, professional clients and retail clients (all distribution channels). S/D 3/13 (SSA)
IPT(s):	SOFR MS+29 area
GUIDANCE:	SOFR MS+28 area. SPREAD SET: SOFR MS+26 (Books: \$10bln+).
LAUNCHED:	\$5bln 3/1/27 SOFR MS+26 (Books: \$11.2bln+)
PRICED:	\$5bln 4.375% 3/1/27 99.946 4.395% T+10 (SOFR MS+26) (TSY 4.125% 2/15/27)
BOOKS:	\$11.2bln
NIC(s):	N/A
COMP(s):	N/A

Aaa/AAA/AAA	Asian Infrastructure Investment Bank (AIIB)
	\$1.25bln [Asian Infrastructure Investment Bank] (AIIB) 10yr (3/13/34) SEC registered global "Sustainable development" Bond. Aaa/AAA/AAA (s/s/s). BofA/CITI/NOM. Denoms 1k x 1k. S/D 3/13 (SSA)
IPT(s):	SOFR MS+65 area
GUIDANCE:	SOFR MS+63 area (Books: \$2.8bln). SPREAD SET: SOFR MS+61 (Books: \$4.2bln)
LAUNCHED:	\$1.25bln 3/13/34 SOFR MS+61 (Books: \$5.4bln)
PRICED:	\$1.25bln 4.25% 3/13/34 99.100 4.112% T+25 (SOFR MS+61) (TSY 4.00% 2/15/34)
BOOKS:	\$5.4bln
NIC(s):	N/A
COMP(s):	N/A

	VOL	IPT/PX	XCVRD	NIC	TRADING
(TODAY) 03/06	2,300	-28	3.72	8.33	0.00
WK ENDING 03/08/24	54,100	-26	3.33	2.81	3.03
WK ENDING 03/01/24	54,100	-26	3.33	2.81	3.03
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
YTD "ZERO DAYS"	2	2023 /32			

YTD FRNS DROPPED	4	2023 / 39			
24-Mar	44,634	0.00	0.00	0.00	0.00
24-Feb	199,425	-26.51	3.93	1.89	-1.18
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
	VOL	IPT/PX	XCVRD	NIC	TRADING
2024 YTD	439,679	-25.68	3.75	2.62	-1.54
2023 YTD	356,865	-26.00	4.18	10.19	-2.10
24 VS '23 (% DIF)	23.20%	-0.32	-0.43	-7.57	0.56
MARCH	MAR VOL	LOW EST	AVE EST	HI EST	DIF (+/-)
2024	44,634	105,000	135,000	150,000	-90,366
2024	2024 YTD	LOW EST	AVE EST	HI EST	DIF (+/-)
YTD	439,679	110,000,000	127,500,000	135,000,000	-127,060,321