reland Said to Draw $9 Billion Bids in 10-Year Bond Sale
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By Dara Doyle and Roxana Zega

March 13 (Bloomberg) -- Ireland drew at least 7 billion euros of bids ($9 billion) for its first sale of 10-year bonds since the nation's 2010 bailout, according to people familiar with the matter.

The bond was priced to yield 245 basis points over mid-swaps, a fixed-market benchmark, according to a separate person familiar with the matter who asked not to be identified, as they are not authorized to speak about it. The nation planned to sell as much as 3 billion euros of debt today.

"This represents an important milestone in the country's re-engagement with the bond market," said Philip O'Sullivan, an economist at Dublin-based NCB Stockbrokers. "Today's launch of new 10-year issuance could have important ramifications for Ireland's credit rating and its plans for a successful exit from the bailout program at year-end."

Ireland is seeking to become the first nation to leave a bailout program since the euro debt crisis started more than three years ago. After an accord to ease the cost of the nation's bank bailout and with European leaders considering giving the nation more time to pay bailout debts, Prime Minister Enda Kenny's government is on track to regain the country's economic sovereignty at the end of the year.

The National Treasury Management Agency said yesterday it hired Barclays Plc, Danske Bank A/S, Davy Stockbrokers, HSBC Holdings Plc, Goldman Sachs Group Inc. and Nomura Holdings Inc. as joint lead-managers for the transaction.

The NTMA last issued 10-year bonds in 2010, before the near-collapse of the country's banking system prompted investors to shun the nation's debt. In November of that year, the Irish government asked for a 67.5 billion-euro international rescue in a three-year program.

Yields Fall

The yield on the Irish 5 percent bond maturing in October 2020 has fallen from a euro-era high of more than 14 percent in July 2011 to 3.68 percent. The yield rose two basis points from yesterday. The new bonds are likely to be priced to yield 4.25 percent to 4.30 percent, NCB said.

Irish governments have introduced spending cuts and tax increases equal to 12 percent of gross domestic product since the property boom imploded in 2008. The government forecasts the economy will grow about 1.5 percent this year.

The turnaround in Ireland’s fortunes has gained momentum since the government last month came up with a plan to lessen the burden of the former Anglo Irish Bank Corp.’s bailout. Under an accord which the European Central Bank agreed not to block, the state will swap so-called promissory notes used to rescue the failed lender with 25 billion euros of long-term government bonds with maturities of up to 40 years.

More Time

In addition, European finance ministers are considering giving Ireland more time to pay back loans stemming from the 2010 bailout.

Standard & Poor’s on Feb. 11 raised its outlook on Ireland’s BBB+ credit rating to stable from negative. Moody’s Investors Service Inc. said March 7 an agreement among European finance ministers to consider extending maturities on the Irish bailout is “very significant for Ireland” on top of the Anglo Irish deal.

Moody’s rates Ireland at Ba1, the company’s highest non-investment rating, with a negative outlook. Ireland in January sold 2.5 billion euros in bonds maturing in October 2017. The government sold 4.2 billion euros of new debt in July, including extra issuance of its October 2020 bonds.

“Ireland could actually leave the EU-IMF program at any time it wants to,” Holger Schmieding, chief economist at Berenberg Bank in London, said by phone. “What Ireland needs is now is not extra money. It doesn’t even need longer maturities for its outstanding official loans. What it needs is the implicit promise by the ECB to support countries that leave official programs.”

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