

World's First Sub-Zero 10-Year Sovereign Syndication Is Popular
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By James Hirai and Hannah Benjamin

(Bloomberg) -- It sounds like a tough sales pitch: buy this debt to lose money for the next decade.

Yet for bankers helping Austria raise money this week, it proved smart business -- investors threw more than 30 billion euros (\$33 billion) at the country as they vied for a chunk of the world's first syndicated 10-year government bond to carry a negative yield.

The order deluge meant Austria joined the likes of Spain and Italy in setting demand records this month as investors chase the safety of bonds. Fears that the spread of the coronavirus will derail an economic recovery have sent yields tumbling, fueling a huge jump in the world's stockpile of negative-yielding bonds.

Austria's Treasury ended up placing 3 billion euros of the 10-year bonds Wednesday with a yield of minus 0.111%. For investors, that's still more appealing than equivalent German debt trading at around minus 0.40%. The European Central Bank has a minus 0.50% deposit facility rate.

"Despite the negative interest rate, the issue was met with very strong demand and the transaction was 10-times oversubscribed," Markus Stix, managing director of Austria's Treasury, said in a statement.

The bond sale means Austria has already completed about a third of this year's planned bond issuance of 18-21 billion euros, the Treasury said. Next week's scheduled auction won't be used.

The pool of securities with a yield below zero surged by nearly \$1.2 trillion last week, the largest weekly increase since at least 2016 when Bloomberg began tracking the data daily. While Germany, Austria and others have sold negative-yielding debt at auctions, Austria is the first government to sell sub-zero 10-year bonds via banks. Investors could still make money by selling the debt on if yields fall further.

--With assistance from Boris Groendahl and Paul Cohen.

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