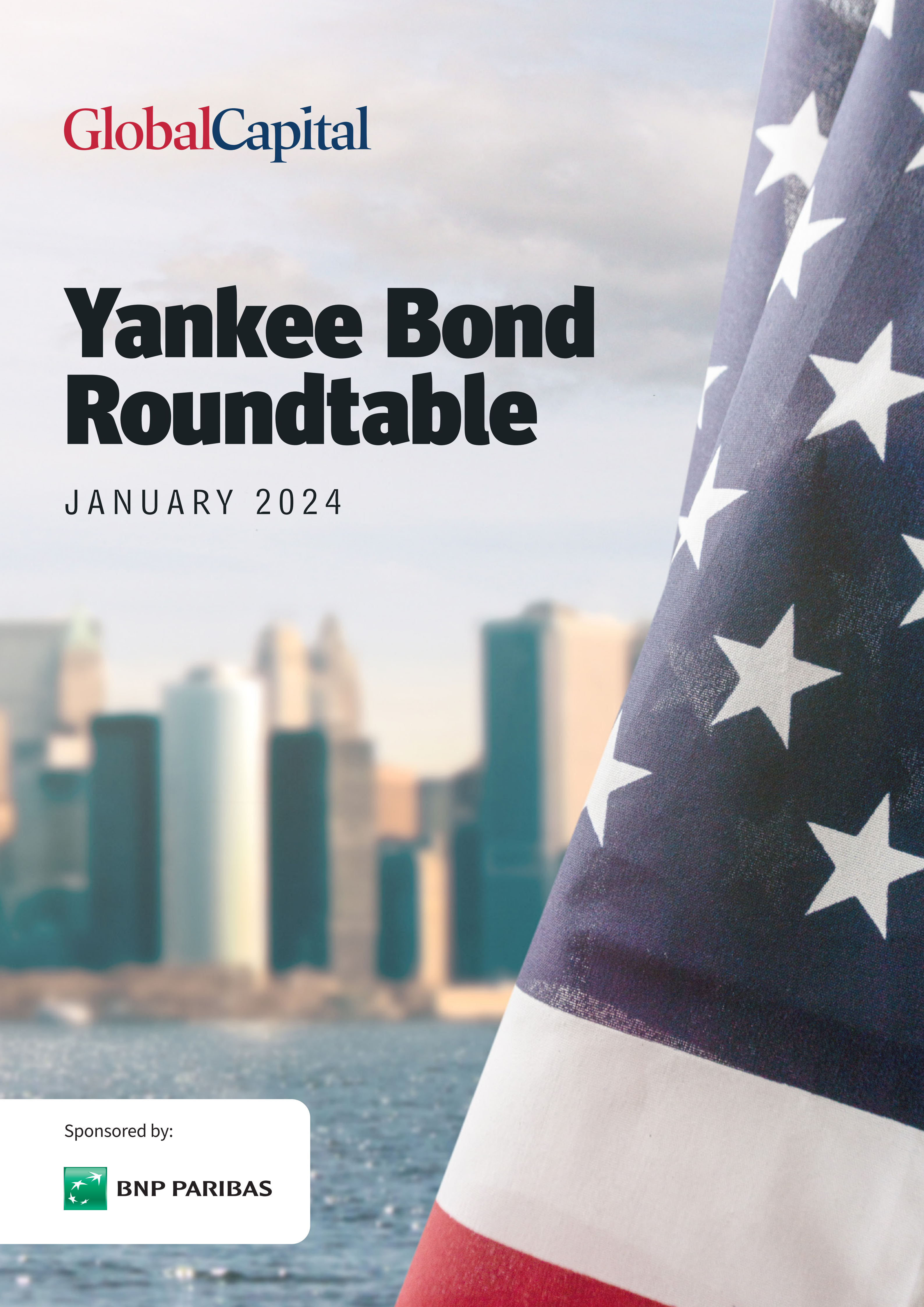

GlobalCapital

Yankee Bond Roundtable

JANUARY 2024

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Yankee bonds offer deep demand as the cycle turns

The dollar bond market had dipped as a source of funding for European companies during the recent economic and interest rate turmoil, but in recent months it has sprung back. Keen appetite for European bank and corporate credit has tempted issuers once again to explore the deep, liquid market of the US.

Investors are broad-minded on credit and will consider a wide variety of issuers at the right price, out to long tenors. The market therefore holds a potentially useful pool of capital that issuers can use to vary their funding. For companies financing M&A, in particular, Yankee bonds allow a large sum to be raised in one go, reducing the worry and hassle of picking multiple market windows.

European companies' dollar issuance has already returned to the long term average of 25% of their bond funding, and market participants expect this share to grow.

GlobalCapital gathered three leading Yankee issuers, three experienced investors and some investment bankers active in the market for a virtual roundtable discussion on the market in early December.

As the speakers pointed out, for the right issuer in the right tenor at the right time, dollars can offer pricing to beat euros. But accessing the market is no walk in the park — issuers need to study the demand, court the investors and be willing to pay an attractive price.

With US interest rates widely seen as having peaked, dollar bonds are poised on the brink of a bull run. Yield-driven investors in particular are eager to buy before rates start falling, and they see value in European credit.

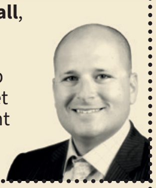
Roundtable participants

Giulio Baratta, co-head of IG finance EMEA, BNP Paribas

Chris Dibben, vice-president, corporate finance, treasury, GSK

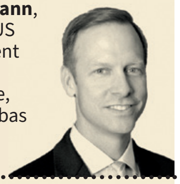
Ryan Horan, investment grade and high yield corporate bond trader, American Century Investments

Scott Kimball, chief investment officer, Loop Capital Asset Management

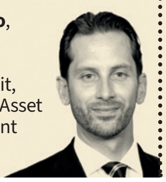


Kwok Liu, deputy treasurer, funding and investment, National Grid

Tim McCann, head of US investment grade syndicate, BNP Paribas



Lorenzo Napolitano, portfolio manager, global credit, JP Morgan Asset Management



James Wear, vice-president, corporate finance, BHP

Moderator: **Toby Fildes**, managing director, *GlobalCapital*

***GlobalCapital*: What is the importance of the Yankee bond market?**

James Wear, BHP: The US bond market is large, deep and resilient and an important market for BHP. These are key reasons we raised $7.5bn in that market this year after being inactive for so many years.

The euro market is also very important to us — over the years we have issued primarily in the US and euro markets. We also want to maintain access to other markets, whether that's sterling or the Aussie and Canadian markets. We evaluate the opportunities in each market at the time to assess which one to issue in.

Kwok Liu, National Grid: As a large funder with large annual funding requirements, the Yankee market is incredibly important to us, as having the deepest, most liquid corporate bond market. It's one of the more resilient markets, always willing to put a price on something.

Chris Dibben, GSK: We issue not frequently, but not infrequently, every few years. Our currency mix is more driven by balance sheet — although, in the event of large M&A, the Yankee market is much more liquid than the euro market. It gives us that opportunity to get size done in one go, rather than having to go to the market more than once, which presents other risks, particularly around the volatility of markets at the moment and picking a day you want to go and be able to do as much as you want.

Giulio Baratta, BNP Paribas: In 2023 European companies have raised in debt capital markets about €400bn-equivalent. Twenty-six percent of that is dollar public funding, and more or less 25% is an average proportion for the past five years.

> *"The Yankee market is incredibly important to us, as having the deepest, most liquid corporate bond market. It's one of the more resilient markets, always willing to put a price on something."*
>
> **Kwok Liu, National Grid**

We think it's going to grow, because through the volatile cycle over the past 12 months, dollar demand and capacity has been very resilient. And across the board of maturities, including the long end, demand continues to be extremely consistent. So there is a natural element of funding diversification, access to capacity and possibility to execute large sizes quickly, which are key elements of importance to borrowers.

Tim McCann, BNP Paribas: The Yankee corporate market accounts for about $105bn this year, just shy of 10% of the investment grade dollar market. So it's quite significant.

ISSUING STRATEGIES

***GlobalCapital*: What are your strategies for approaching the Yankee market? And how do they differ from other markets? Do you need to be more regular, to maintain optimal funding?**

Dibben, GSK: I wouldn't say we look at the dollar market any differently from the euro market. Given we are not out there all the time, we approach the markets in a very similar way, with the exception of the tenor mix.

We know there are differences between markets and where the appetite is. But fundamentally, it's around making sure we have engaged through our banks to understand what the market is looking like and picking that date.

There are nuances, particularly around documentation, but it's more about making sure the appetite is there — do we need to do anything to improve that? There are going to be significant events in different markets, which impact them, but fundamentally, our approach doesn't change.

Liu, National Grid: What I find with the dollar market is that because it is huge and we are a smaller part of the market than the euro or sterling markets, unless we're regular, we get forgotten about more easily. People tend to stop following us, compared to the euro and sterling markets, where we already have a lot of paper outstanding.

And pricing points tend to go stale more quickly. So if your dollar bond is more than around a year old, it tends to be a stale data point, in which case, there's less transparency or more judgement required for pricing new issues. So you do need to think about dollars slightly differently.

Wear, BHP: We have experienced strong interest in BHP in all the markets, and we try to engage with investors across these markets and keep a relatively consistent approach. There are differences between the markets and we were seeing a pricing disparity there as well.

Of the two transactions we did in 2023, the first was business as usual funding of $2.75bn, and given it was a return to the market after a long time we felt it important to issue benchmark tenors in threes, fives and 10s. We felt the US market was a good market to return to first.

The second transaction of $4.75bn was to support an acquisition. We returned to the US market, partly due to its scale and the ability to go to just one market for the full amount of this funding.

Dibben, GSK: If you haven't been for a while in the US market, you're more sensitive to when you go, i.e. getting that guidance about what's going to happen in the market, because you do tend to get some big events, and you can get lost in the noise.

Whereas if you're in Europe, you know you can be a bit more prominent, as a more frequent name. That's something to be aware of as a Yankee issuer. Make sure you pick the days more carefully, to make sure you don't get lost. And get out early in the day.

WHAT INVESTORS WANT

***GlobalCapital*: What about investors? What would you offer as advice to issuers wanting to execute optimally in the dollar market?**

Ryan Horan, American Century: You guys nailed it: it's the frequency and size of issuance. The smaller the deal, the harder it is for us to allocate bonds to the multiple strategies we manage — core, core plus, income accounts, corporate-only mandates. If you guys are bringing a once a year $500m issue, it's very hard for all these strategies to participate. If I need $20m of bonds to touch all the portfolios, and I'm getting $5m, and there's no liquidity in the secondary market because the deal is so small and there are limited players, it makes it hard for us to put on a conviction, core-type call.

BHP, your profile is different in the size and amount of bonds you have. But National Grid, there are only two or three bonds I could really buy if I wanted to. And to get the analyst to focus on it, only to be able to put on $5m, makes it difficult. How do we weigh their time with focusing on larger capital structure names that have a similar rating profile and trade in the same range? So the more you issue, and the larger the size, or tapping deals and making them larger and providing some kind of liquidity for us to put bonds across multiple strategies is key.

Lorenzo Napolitano, JP Morgan Asset Management: I completely agree about the liquidity dynamic. One suggestion for many issuers is to register the bonds, because often 144A bonds are less liquid, and you take out a large buyer base, the index funds, which have only grown their presence in the US investment grade market.

James, BHP is a well known issuer, you're single-A rated, lots of IG investors will like that A1 rating. Kwok, looking at a triple-B rated company like yourselves or some of the other European utilities, the lower familiarity of dollar investors with these Yankee issuers causes them to trade at a wide premium relative to their comps. There are strong triple-B Italian or French utilities trading wide to triple-B minus utilities in the dollar market, as an example. That discount is just way too wide for the credit quality.

This creates opportunities for investors — we could buy cheap bonds. But ultimately, you would get better pricing if you had those bonds registered to get the index funds involved. And if you had more sizeable and more frequent issuance to maintain that connectivity with dollar investors, the liquidity should improve.

Scott Kimball, Loop Capital Asset Management: From the perspective of a buyer who invests more heavily in certain less frequent issuers, dollar versus euro issuance is always going to be about valuations. If it's cheaper to buy euros then we're going to buy in euros, but typically, we'll start in the dollar market — that's our benchmark.

When it comes to the issuers themselves, what's more important than frequency of issuance is whether it aligns with the financial policy indicated by the company. That's a big thing for us.

If you're a less frequent issuer, even if your use of proceeds is a one-off project or a share buyback programme, as long as that remains consistent and linked to financial policy, we can remain a good holder of the debt.

To weigh against that, I do think it's important to develop a curve in the US that's observable. For example, if you issue a $750m deal across fives, 10s and 30s, then you roll forward seven years, now your long bond's a 23 year, which can be 'no man's land'. It could behoove an issuer to revisit the market and re-establish on-the-run securities.

McCann, BNP Paribas: To sum up, the dollar market offers access to deep liquidity, duration, large, strategic M&A trades and investor diversification. Also at times and in some sectors it offers better funding, though that's not the case across all sectors.

On marketing, it's a double-edged sword. Marketing is always helpful, I think it's becoming more important. Investors appreciate the time to refresh on credits and when you're actually in the market executing it allows a quicker and smoother execution. We're often in the market on very busy days, and if we've done marketing the day before investors make quicker investment decisions — it's really just about relative value at that point, not trying to track down an analyst and see what they think, so it is very helpful.

But it does mean taking more market risk and management time. So there is a trade-off.

MARKETING

Baratta, BNP Paribas: Also, how do you value the possibility to create some distance between the marketing time and the execution time — what we in Europe call non-deal investor interaction? Is it useful? Is it appreciated? Does it help to then execute a deal much faster? Or would investors just like to focus on marketing when you know there is something to buy?

Napolitano, JPMAM: It will depend on the quality and size of the issuer. If there's a less trafficked name or a debut issue, then yes, you need to connect with investors. Or for a hybrid issue — that kind of deal would likely need a roadshow to explain why we're bringing this type of structure, how that impacts our broader financing needs.

But high single-A rated companies, I don't think you need to spend a lot of time marketing.

Maybe if there's a lot of competition on the day you come, we might be looking at 10 or 11 different deals and if one isn't priced attractively, we might not buy it — we're looking for the most profitable opportunities on that given day.

But generally speaking, if you price the deal attractively, that's more important to us than having that marketing connectivity before the deal comes.

***GlobalCapital*: And what type of marketing would you demand? Would you expect issuers to come over once a year to meet you in person?**

Napolitano, JPMAM: It depends on the issuer and how frequently they need to come. An Italian bank would be well served to come and connect with investors and get their story out to increase that familiarity, because the pricing the dollar market commands versus the European market could be 100bp wider in spread terms. For that type of issuer if you establish the connectivity, register the bonds, bring index buyers in, you could probably get better pricing. But for Glaxo or BHP, so many people are familiar, it's highly rated, I think the demand will be there. And the better the pricing is, the stronger the demand.

Horan, American Century: I would largely agree, if you're bringing an issuer that has something funky with their financials, like it's private, or it takes a little more digging for our analysts to come to a fundamental view, then it would be worth getting them in. I always default to this view: it costs you nothing but your time. And that gets your story out. It gets people buying your bonds and better equipped to tell your story internally. Because our analysts or portfolio managers take the call, but then they have to then talk to traders, etc.

However, you don't need to come into our office. Getting on the phone gives us the ability to really connect. And I would highly encourage you guys to continue doing that.

Wear, BHP: We debated marketing ahead of our deals in 2023 and

"That's something to be aware of as a Yankee issuer. Make sure you pick the days more carefully, to make sure you don't get lost. And get out early in the day."

Chris Dibben, GSK

"Dollar versus euro issuance is always going to be about valuations. If it's cheaper to buy euros then we're going to buy in euros, but typically, we'll start in the dollar market — that's our benchmark."

Scott Kimball, Loop Capital Asset Management

Tim was a part of some of those conversations. Given we hadn't been in the market for some time, we felt we needed to re-engage and we did a non-deal roadshow in November-December 2022.

It was a very valuable exercise to go physically to New York, Boston and Chicago to re-engage with investors. Our story and the strategy are well known to our investors, and they also have access to our broader investor relations engagement, but there was no substitute for going and meeting them.

We decided to do marketing the day ahead of our first issue, given it had been so long since our last deal, and that got quite a lot of engagement as well.

When we then came later in the year, we didn't feel like we needed to do further marketing. The acquisition had been well discussed in the previous engagements and the market risk trade-off fell in favour of getting the deal done in one day.

So for us, it will be a case by case decision. We want to keep engagement with investors and make sure we are giving them what they need. When it comes it execution, though, we want to make sure we're not exposing ourselves to market risk during volatile periods.

Liu, National Grid: If it's a name we haven't brought to the market for several years, then we will do deal-specific marketing. The mode to do that these days is definitely virtual, because you can reach so many more people in a short period of time, and have a much shorter exposure to the market. But having said that, being fairly regular with the NGGLN ticker in the dollar market, we do try to engage on a non-deal basis once a year or more, for example we go to various bond conferences. People appreciate us making the effort to see them physically. So although it is a bit of travel, and more time taken out, we do think we have a higher quality conversation and interaction. It's an investment worth making.

Dibben, GSK: We haven't been to the Yankee bond market for four years as GSK. We went as Haleon last year, ahead of the separation of the two companies.

I get Ryan's point about it's great to have a phone call, but how many people am I going to speak to? And when's the right time to have that discussion?

I also get James's point — you might want to go to see investors before a deal if you haven't been for a long time. But that introduces execution risk because there may be — particularly at the moment — one day where you feel you can go, and if you're marketing you're stuck in a cycle of trying to find the right day. And you may feel like you've missed the best day, which can be slightly demoralising. So it's a difficult one to balance.

I'd welcome views about whether doing an annual non-deal event provides a benefit in getting visibility to the credit and keeping it. If you go to the market nine months later, is that still relevant? Or are you still engaged by investors as though you've not done the engagement at all? Because a lot's happened in nine months in the market.

TIMING A DEAL

Horan, American Century: You mentioned, Chris and James, you might miss your opportunity to issue or take some kind of market risk, should something happen in a couple of days as you're roadshowing. But there's been incredibly robust demand for investment grade dollar issuance for the entire year, most notably from overseas participants who've got dollar mandates all across the curve. What would lead you to believe you can't come to market as high triple-B, single-A solid credits? That by roadshowing, you're exposing yourself to missing some kind of window? Because outside the dregs of summer in August or around Christmas time, I'm not fully understanding why you wouldn't think you could come to market in dollars virtually whenever you want.

Dibben, GSK: I'll clarify what we mean. The push we get internally is 'make it a great execution'. We did an issue last year when we wanted to go, on days that would have been great for us to issue on, because the pricing was pretty tight. I appreciate we could go any day, but sadly that's not how we're judged. It's about how does the execution look relative to what we could achieve in the window. And sometimes news internally and externally dictate how long that window is.

If you're going into the market regularly you can layer in the risk — if I get a good day or a bad day, it nets out. If you're only going in every couple of years, you get marked on that. So it's a performance point, if I'm honest, rather than not believing we can issue.

Napolitano, JPMAM: Are you more concerned with spread or yield, when you think about the execution of your deal?

Dibben, GSK: Yield. If we have to go in a window, we know spreads move. They have moved quite a lot recently. Spreads aren't that material now. But if I was to issue now, that would probably be the highest yield on a bond we would issue, because rates are so high. So it's more about an all-in rate.

Napolitano, JPMAM: And with that bias, you'd have a shorter tenor of your issuance because you don't want that high coupon for 10 or 30 years?

Dibben, GSK: Not necessarily, it depends what it's relevant for. We talked about liquidity of the curve. If we've got to do a lot, we know we've got to tranche that. So we may have to pay up towards the end of the curve, but it's out there for longer, and how does our debt stack work? So it's more around relative value in that window, rather than the tenors as such.

Wear, BHP: We look more at spread, particularly given that on our most recent deals we have swapped all our bonds back to floating rates.

I agree with Chris about the internal expectations on performance. Everyone wants to pick the best day to execute and we often don't have particularly wide windows within which to execute. So if we see a day that looks like it's going to work, we'll take it, because maybe the following days aren't and then you've lost that window.

Napolitano, JPMAM: Many issuers are spread-based. The index trades now at 100bp over. So yes, locking in a 30 year now, the coupon would be very high. But locking in a 30 year spread at 100bp over would seem to be very attractive from an issuer standpoint. Less attractive from an investor's standpoint — we prefer the coupon there rather than the spread.

McCann, BNP Paribas: To try to address Ryan's point about being able to issue any day, it's different if you're a frequent funder doing three or four deals a year. Think of the finance companies — they can average their costs and if they miss a window, they're coming back in the next couple of months anyway. For corporate issuers that are much more infrequent, picking the right currency, the right timing, the right market is all very important. The borrowers we have here today are much more in that second camp. So we do spend a lot of time advising clients on finding that right market opportunity. We're not saying they don't have access every day in the dollar market — it's just about always open. It's really finding that optimal day to do the deal.

OUTLOOK FOR 2024

GlobalCapital: Looking forward to 2024, how do you see the economic outlook and direction of travel for spreads and rates? And how does that feed into financial planning? Will dollars be an attractive source of funding?

Wear, BHP: We tend to issue ahead of when we need funding and hence the timing of issuance tends to be driven more by our balance sheet.

While rates are currently high relative to the last few years, we are more sensitive to spreads, given we typically swap to floating rates. I'm not going to predict where spreads and rates might go, but we feel confident about our access to debt capital markets, if needed in 2024.

Baratta, BNP Paribas: Two days ago Tim McCann told me that the market is a nine out of 10 quality in terms of constructive investor approach to IG credit, which is great to hear for me.

There is a conviction that we are facing a smoother correction of the economy, as opposed to a deeper or riskier recessionary scenario. We are approaching the end of the tightening cycle in a smooth way, which is clearly indicating that at least the short to mid part of interest rate curves should ease a little bit. But credit spreads, especially on the long end, are remaining fairly tight.

It is a very good, broad market window for borrowers to derisk their refinancing and raise funds across the board of maturities. This is exactly where the American market offers a great opportunity to European borrowers.

Kimball, Loop Capital: Look at the year we just went through in 2023, starting off with a bang, with the Silicon Valley Bank financial crisis. Whenever there's bellyaching in the financial services sector in the US, it lowers investor sentiment and tightens financial conditions so much, that from that low of a starting point sentiment could do little else but improve.

As we look ahead in 2024, it appears we have some clarity on the Fed's end game, in conjunction with still decently high benchmark yields, again relative to absurdly low starting points in recent memory. So, with that, most investors are at least comfortable with investment grade, and most of my counterparts expect a consistent year of primary issuance, through some combination of refinancing, M&A and general corporate purposes.

Napolitano, JPMAM: Credit markets have been pricing more of a soft landing environment for the economy. We mentioned the 100bp option-adjusted spread on the index — that's not pricing in much credit stress at all, nor are we seeing such stress.

So for 2024, we view the starting point of yields in the market as attractive. With much of that carry coming from the underlying Treasury component, returns will probably be driven more by the total return rather than the excess return, because we're starting at expensive spread levels.

Now, for most of 2023, the index was yielding essentially the same as cash. So if the Fed eases as early as that March-May timeframe, people could start moving out of cash into longer duration assets to try to capture some of that total return potential.

So we see a positive outlook from the overall starting point of yield, and positive prospects for duration.

But for spread investors, you're really not pricing in a lot of weakness, so it's important to pick your spots to find decent relative value. We see the basis of banks versus industrials as attractive, and also the basis of Europe versus the US as attractive, with the European index at about 145bp OAS. That's a very wide discount to the US market.

So if there is any excess return to be had in 2024, it's likely going to come from the financial sector. And if the European market embraces the soft landing economic outlook, we think Europe could outperform the dollar market.

"It is a very good, broad market window for borrowers to derisk their refinancing and raise funds across the board of maturities."

Giulio Baratta, BNP Paribas

And we would note investor comfort with the European banking sector has really improved, just given all the additional tier one capital issuance, and how well those deals have performed. Some of the deals are up 6 to 7 points in a short time frame, so investors are comfortable loaning to European banks deep down in the capital structure and there has clearly been strong demand. We also think senior parts of the capital structure offer good carry, and especially attractive relative value compared with similarly rated issuers.

Horan, American Century: We share a lot of the same view. We've been trying to rotate out of some of the lower coupons and into on the run higher coupons, and we think it's going to largely be a carry year as well. Some of the themes in 2023 — spread sellers and yield buyers — that's probably carried over into 2024. We tend to run a little bit more bearish. We're out of consensus in our view on the economy and market. But I don't anticipate that changing much of our overall exposure to investment grade, whether it's US domestic or Yankee. Everything starts with a spread target from our analysts, and we derive fair value and relative value from that. In the multi-asset strategies we run, I would anticipate some decline in exposure to structured products and a bit higher exposure to quality investment grade, and slight rotation out of money markets and locking in duration.

I don't necessarily think we've seen the highs of rates, but this year end is a generational opportunity to lock in yield at these levels. And that's why I think the yield buyers are going to win yet again, in 2024.

ESG

***GlobalCapital*: What are the differences between US investors' attitudes to ESG and those of European investors?**

McCann, BNP Paribas: We could have a whole roundtable on just that topic. It is something we think about and talk to our clients about a lot. I often hear that US investors are behind European investors on ESG. That's not how I see it. They're just two markets on very different paths. If we roll forward two or three years, the US is not going to look like Europe with respect to ESG. I've been engaging with US investors on ESG for many years. It just has a different trajectory here, and that's only become more pronounced in the last year or two. There are a lot of good reasons, around the political, regulatory, maybe even cultural differences between the two regions.

Dibben, GSK: We look at the different components of ESG. There's a lot of focus in Europe on sustainability. But there's a lot of focus on the social element in the US, for example with the rise of the diversity and inclusion firms. We're aware of the political nature that comes with environment when you're talking in the US. We've not approached a roadshow on either of those fronts. But our driver would always come from what is our ethos as a company, and how does that present to the markets? We would look for guidance on where that ties with investors. Hence we would consider the use of D&I as a social point in the US, whereas there'll be potentially more focus from corporates on a green bond in Europe.

Wear, BHP: Being a resources company, ESG is a priority for us and all our investors and we provide detailed disclosures to meet that information requirement.

There is a difference between US and European investors and we are getting more questions around ESG from investors in Europe compared to the US.

A number of investors have clear mandates that they need to manage to and some are more prescriptive around mining companies in particular, as it relates to metals required to support the transition and fossil fuels.

Liu, National Grid: US investors certainly do care about corporate responsibility, but it's just expressed in a different way. In Europe, we are asked about issuing more labelled bonds, whereas that's not really a topic in the US. I've just been on an investor roadshow in the US last week and a couple of investors asked me 'Why'd you bother issuing labelled bonds, because it costs you more to do?' We do use D&I firms for our issues in the US. So US investors do care about corporate responsibility, the emphasis is just different.

Napolitano, JPMAM: The biggest difference we know is around sectors. A US investor is not going to exclude the energy sector, because it's 8% of the index. The European market has probably half of that. Culturally, attitudes towards that sector are much different. Similarly, European accounts generally have an aversion towards tobacco for ESG reasons and that causes the bonds to trade at very wide discounts to the dollar bonds. When you could pick up 100bp for the same issuer and hedge the FX that creates opportunities for some accounts. But generally speaking, it is a trend we're conscious of. And to the extent it causes dislocations of relative value, it could be an opportunity for some.

Kimball, Loop Capital: Throughout the US, in general, the expression of ESG still comes second to pecuniary outcomes. Most investors, public and private sector alike, have required rates of returns which are critical to the health of their institutions. Because of that, investors want to know they're being compensated appropriately for mostly near-term financial risks. Some issuers are more exposed to ESG-specific risks within that near-term window, either through the nature of their business, or some other headline risk, and if you run afoul of those, they can negatively affect returns. So in that sense, an ESG assessment is good credit research and risk management on its own.

Beyond that, we still don't see it with many of our investors as a leading qualifier of investment policy. Certainly, many specify issuers which are to be excluded from purchase, or a threshold for an issuer's ESG score from a certain third party agency or source, but the total portfolio is still graded on an economic outcome, i.e., a market benchmark.

Therefore, we are unlikely to buy a green or sustainable bond simply because there's some reference to ESG in the investment policy — there needs to be an economic or relative value case. We will not pay through [the price we would pay for bonds with] similarly assessed creditworthiness on the basis of that classification.

Horan, American Century: I loathe the idea of paying a premium for a bond that is pari passu to a senior unsecured bond just because that bond is green.

That being said, we are a private asset manager and 40% of our ownership is through the Stowers Institute, a medical research lab in Kansas City, Missouri. So ESG is in our DNA, and something we take real serious here, it's embedded in all of our multi-asset strategies. We have quantifiable and qualifiable metrics that go into decision making.

All that being said, I recognise how much work it is for issuers to come with a green bond. And we always like to offer any of our teammates to help guide you on what investors are looking for. We try to partner and use our DNA as a differentiator.

MATURITIES AND STRUCTURES

***GlobalCapital*: The dollar market used to be quite rigid in its maturities, but more off the run tenors are now appearing. Should we expect that to continue? And is further development of the FRN and callable markets desirable?**

Baratta, BNP Paribas: The combination of the outlook for the market in 2024 and the breadth of potential demand will make for a very interesting year in the further growth of the use of the dollar market for European companies. American companies are giving us a great example on how they are using that flexibility and breadth of demand.

The short dated part of DCM has been used for refinancing commercial paper and corporate loans, and there is clearly an opportunity at the long end for diversification of funding sources in a relatively tight credit spread environment.

McCann, BNP Paribas: Our market's open out to 40 years. Investors would love to buy longer if we could, but for tax reasons we can't. We are a bit rigid in our maturities, but really, that is because we're targeting certain pockets of demand. You can certainly do an eight year but I wouldn't recommend it, it's just not going to price efficiently. We have the tenors that target different pockets of demand, and therefore they price most efficiently.

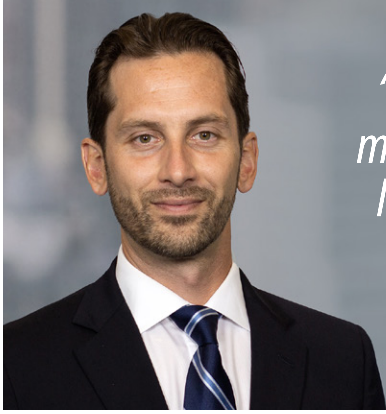
On the upper end and callables, that was a much better opportunity in 2021 in the lower interest rate environment, when investors were reaching to pick up incremental yield. Now with higher rates and the Fed looking to start cutting in 2024, we're not seeing very good interest in FRNs or callables. We haven't seen a short callable in six months or so.

Napolitano, JPMAM: I'm less concerned about off the run maturities than off the run structures. Investment grade investors don't like valuing call options. When a high yield bond rises into the IG market, if it was an eight non-call three at the time of issuance, that's always going to trade at a discount to a bulleted maturity of the same issuer. Similarly, even with the banks, when they price 11 non-call 10s that bond has a discount relative to the bullet bond.

If you want to bring a seven year, for example, there would be good interest. Twenty year issuance was active at some points in 2021 and 2022. That's driven the 20 year part of the curve to very tight levels compared to 10s. It fits a lot of insurance companies' or pension funds' duration profiles. So that would actually be embraced by the market. We've generally seen a trend this year with rates so high — a skew towards shorter issuance, because issuers don't want to lock in these coupons for very long periods. So we would embrace a 20 year bullet rather than a 15 non-call 10, for example.

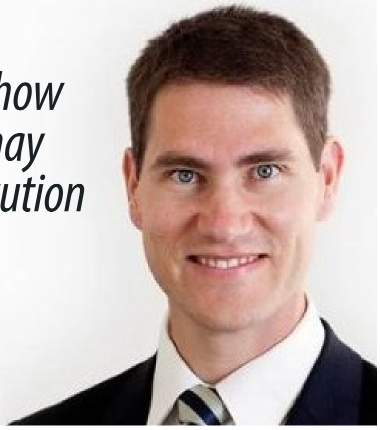
Kimball, Loop Capital: That filters into the conversation on fixed-to-floating rate bonds. If you take an investment grade issuer, say a triple-B industrial, when you start layering in optionality, such as marketing an '11 year non-call 10 with a floating rate conversion post the call date', from the investor's perspective, that's a 10 year triple-B bullet, plus a one year option and fixed-to-float swap.

That's a lot of complexity for what has traditionally been a bread and butter, innocuous market. Those features are better suited for the high yield market, where small variances in top line figures cause much more pronounced swings in the balance sheet and the company's funding costs. But your average IG index-eligible issuer has enough flexibility to manage its balance sheet. The latter should be able



"I'm less concerned about off the run maturities than off the run structures. Investment grade investors don't like valuing call options."

Lorenzo Napolitano, JP Morgan Asset Management



"There's a mystery and mystique to how issuance gets done, so technology may increase transparency, improve execution efficiency and decrease the costs."

James Wear, BHP

to avoid that and stick to tenors that make things a lot cleaner, and probably cheaper.

Horan, American Century: I'll never buy a 15 non-call 10 or a 10 non-five again. We're comfortable with 11 non-10 or six non-five — one year optionality.

We can buy just about anything from one year out to 30 years, all the way down the cap stack to AT1s and Cocos. It just comes down to what is our view internally, relative value-wise. So we would entertain nearly everything outside of the funky call structures. Those only get issued when the market feels really good or there is incredibly easing monetary policy. I don't think anyone has any interest nowadays for 10 non-five or 15 non-10.

NEW DEVELOPMENTS

***GlobalCapital*: What new developments would you like to see in the US markets?**

Baratta, BNP Paribas: Our day to day jobs will evolve dramatically over the next few years. I am extremely confident we will still all be here as good advisers to our firms and counterparts, but the way we'll be executing transactions is set to evolve. We are investing a lot in better, faster and more reliable systems and developing more advanced AI content support provisions. The backbone of the origination and distribution architecture of DCM is set to evolve very dramatically.

Wear, BHP: Increased transparency, execution speed and efficiency. To give you an example, on the day of issuance we get the order book, but then once the bonds are traded we never really know who holds our bonds from then on. There's a mystery and mystique to how issuance gets done, so technology may increase transparency, improve execution efficiency and decrease the costs.

Dibben, GSK: I'm aligned to that, if we think about changes in AI, using the broadest definition — how systems and processes can get better and work quicker. We'll all still be here, but we'll be doing more value-add activity.

We as issuers will be able to say 'let's have a look at that book. That investor has taken away some orders — what does that mean for us? Let's have a direct discussion with them about why that has happened. Was it a price point? Was it something else we did?' The more information we can have in a cleaner and quicker way, we can make better informed decisions and have a better discussion.

Napolitano, JPMAM: If AI could get us better allocations, we're all for it.

Liu, National Grid: For me it's hurdles on the documentation side. The lead time for us to do dollars means we can be less nimble and agile than in the euro markets. But I don't think I'm going to be able to change that.

Dibben, GSK: Yes, documentation is always going to be the biggest hurdle for us. If you're not appearing that frequently, by which I mean four times a year, there's a lot of process you have to go through, year in year out. That's a regulation point and there's not a lot we can do about it.

Baratta, BNP Paribas: Would an investor like to comment on the potential evolution of index eligibility involving also non-registered paper? Is it something you are lobbying for?

Napolitano, JPMAM: Yes, start doing it — I don't have a strong view otherwise.

Kimball, Loop Capital: I don't have a strong view, either. I think it's 144A with registration rights that are included now.

Baratta, BNP Paribas: How about the 144As with no rights or the ones that will never register? Are they good enough for you to consider them at par with anything else — as they become increasingly liquid?

Kimball, Loop Capital: It would be nice to see them intrinsically more liquid but that's not really been our objection to them, they're just a little more difficult to place in the US market. A lot of public funds have guidelines and rules. For example, in certain states, there is a prohibition on private debt, without much distinction for 144A, if any.

Some funds can make the distinction on a board level that 144A without reg rights is not covered by the language concerning private debt, but many do not, and I don't blame them at all. So there are large public pension plans that can't touch an unregistered bond, even if it's issued under Rule 144A. Thus I don't believe index eligibility really affects it. It's more the statutory part of the US market that's very rigid and not easy to change.

Horan, American Century: And in our strategies, there are set thresholds on the amount of 144As we can own. So if you're coming with a 144A and I'm at my limit, I need to sell another 144A or my size would have to be smaller than would be optimal for us. We've figured it out over the last decade. But it's something to consider. There's either an account that can't buy it at all, or an account that has an arbitrary threshold that makes it tougher to size accordingly. GC