

## What to Watch in U.S. Corporate Credit Markets This Week

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By Caleb Mutua

(Bloomberg) -- Corporate earnings continue this week with technology heavyweights taking center stage and, in turn, becoming potential debt issuers as borrowing dwindles across credit markets ahead of the U.S. election.

Apple Inc., [Amazon.com](https://www.amazon.com) Inc. and Alphabet Inc. are among the investment-grade names expected to report profits. Texas Instruments Inc. -- viewed as a proxy for demand across the economy -- reported strong guidance for the fourth quarter, which should "read well for the rest of this earnings season," JPMorgan Chase & Co. credit analysts led by Eric Beinstein wrote in a note last week.

Third-quarter earnings have so far come in well above consensus expectations and market reaction is rather muted given outlook uncertainty, Barclays PLC strategists wrote in a note on U.S. and European results. About 77% of companies beat estimates so far, the highest proportion since 2010, they said. Wall Street syndicate desks are projecting about \$15 billion in new high-grade supply for the next five days, in line with the last two weeks, with front-loaded issuance expected. "The market doesn't really seem to be reacting to earnings surprises," said Gregory Staples, head of fixed income for DWS North America. "It seems the credit market is more concerned about issuance and flows and perhaps the sell-off in rates and the elections."

The results are also unlikely to "move the needle" on investment-grade risk premiums as investors are focused on the stimulus and the polls, according to Lorenzo Newsome, managing director and chief investment officer at Smith Graham & Co. Investment Advisors in Houston, Texas. Spreads tightened to the lowest since Feb. 28 last week even as rising virus cases threaten the economic rebound.

### Junk Sales

The U.S. high-yield primary market may see more deals this week after companies borrowed \$6.1 billion last week, with almost all drawing orders more than three times the deal size. PetSmart Inc. began marketing a \$2.3 billion term loan to investors last week and it's also expected to offer \$2.35 billion of junk-rated bonds in the coming weeks. Read more: [BC Partners to Split PetSmart](#), [Chewy in \\$6 Billion Recap Deal](#) Bank of America Corp. is projecting junk gross issuance will slow to about \$300 billion next year, while supply and demand dynamics should "normalize meaningfully." The leveraged loan market has a full calendar with about 25 issuers looking to wrap up about \$18.3 billion worth of deals before election day. Financial information provider ION Analytics is asking lenders in the U.S. and Europe for a \$1.85 billion loan to refinance existing debt, people familiar with the matter said.

Finally in the distressed market, Town Sports International, the owner of New York Sports Clubs, has a bid deadline at the beginning of the week where it will announce a potential buyer of its assets. Community Health Systems reports earnings on Tuesday with a call held the following day to discuss third-quarter results. Meanwhile, the deadline for Revlon Inc.'s bond exchange arrives on October 27 after investors submitted just over 13% of eligible bonds at the end of last week.

--With assistance from Katherine Doherty, Michael Gambale, Jeannine Amodeo and Paula Seligson.

To contact the reporter on this story: Caleb Mutua in New York at [dmutua@bloomberg.net](mailto:dmutua@bloomberg.net)

To contact the editors responsible for this story:

Nikolaj Gammeltoft at [ngammeltoft@bloomberg.net](mailto:ngammeltoft@bloomberg.net) Andrew Kostic, Allan Lopez

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