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Ireland Sells 1.5 Billion Euros in Bonds as Demand Strengthens 2010-07-20
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By Louisa Fahy

July 20 (Bloomberg) -- Ireland sold 1.5 billion euros (\$1.95 billion) of debt at an auction amid stronger demand from investors a day after Moody's Investors Service cut its rating on the country.

Ireland sold 750 million euros of 4.6 percent debt maturing in 2016 to yield 4.496 percent, the National Treasury Management Agency said in a statement today. That compares with a yield of

4.521 percent in June, when it last sold for the same maturity.

It also sold 750 million euros of 5 percent 2020 bonds to yield an average 5.537 percent, more than the 4.688 percent yield at the previous auction of 2016 bonds in April.

"In the context of some of the recent headlines and the Moody's downgrade of Ireland early yesterday, this is an excellent result," fixed-income specialist Glas Securities said in an e-mailed statement.

Moody's yesterday lowered Ireland to Aa2 from Aa1, citing a "significant loss of financial strength" and the cost of bank bailouts. Oliver Whelan, head of funding at the NTMA, said after the downgrade that he didn't expect it to affect the auction.

Investors bid for 3.6 times the 2016 securities offered, compared with 3.1 times in June, and 3 times the 2020 debt, unchanged from April.

Ireland has raised taxes and cut public workers' pay by an average 13 percent to help curtail the fiscal deficit. The government plans to almost halve its "World War-type" budget deficit next year as the cost of bailing out the country's banks declines, the Dublin-based Economic & Social Research Institute said on July 14.

Shortfall

The shortfall will drop to 10.25 percent of gross domestic product in 2011 from 19.75 percent in 2010, the organization said. This year's figure includes a government pledge to inject 13 billion euros into two banks.

The premium investors charge to hold Irish 10-year debt over the German equivalent narrowed six basis points to 278 basis points today. It reached 306 basis points on May 7.

Ireland has obtained 90 percent of the 20 billion euros of long-term borrowing planned for 2010 and is "fully funded" into the second quarter of 2011, the NTMA said in an e-mail.

The agency added that it will continue its monthly auctions for the time being, with the next scheduled for Aug. 17.

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