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Bond Sellers Must Walk the Walk, Ireland's NTMA Says (Update1)
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By Dara Doyle

March 16 (Bloomberg) -- Ireland's debt management chief has a message for countries struggling to convince investors they can pay their bills: "No waffle."

"You have to talk the talk and walk the walk," John Corrigan, 62, chief executive officer of the Dublin-based National Treasury Management Agency, said in an interview. "You need to send a clear message to the market about how you are going to correct the problem and then deliver."

Government spending cuts to tackle a ballooning budget deficit have helped lower the premium investors charge to hold Irish debt in the last year. The yield difference, or spread, between 10-year Irish bonds and the German benchmark was at 128 basis points today compared with 284 basis points in March 2009. It may fall to below 100 this year, Corrigan said.

Ireland today auctioned 500 million euros (\$685 million) of 4.6 percent bonds maturing in 2016 to yield an average of 3.479 percent, and 1 billion euros of 4.5 percent securities due 2020 to yield 4.426 percent. Both bonds were oversubscribed.

Investors bid for 4.5 times the 2016 debt offered and 2.6 times the 2020 securities available in the auction.

"This is a strong result," said Jim Ryan of Dublin-based Glas Securities, which specializes in fixed-income markets.

"It's not unreasonable to think we could be trading sub-100 by the end of the year. It requires further good news out of Ireland and the other peripheral countries."

Greek Woes

In contrast to Ireland, investors demand 299 basis points more to hold 10-year Greek debt instead of bonds. Greece's budget gap widened to 12.7 percent for gross domestic product last year, the highest among the 16 euro-area nations. Ireland's deficit was 11.7 percent of GDP.

The Greek spread soared on concern it would struggle to meet debt payments, while Spanish and Portuguese spreads have also risen. It has narrowed since reaching 396 basis points in January as European Union ministers began preparing the groundwork for possible emergency aid to the nation.

"It's very simple, but much easier said than done," Corrigan, who became CEO of the agency in December, said of governments' efforts to tame budget deficits. "You need very strong political resolve as well."

Bank Debts

Irish spreads may narrow as the eventual cost of recapitalizing the country's stricken financial system becomes clearer over the next month, Corrigan said.

The National Asset Management Agency, the body set up to clean up the financial industry that falls under Corrigan's NTMA, will soon start buying loans from banks led by Bank of Ireland Plc and Allied Irish Banks Plc. About 17 billion euros will transfer by the end of March, Corrigan said.

“Then the capital position of the banks will be fairly self-evident and the question of whatever further capitalization is required would be addressed,” Corrigan said. The European Commission may rule by early April on viability plans submitted by the banks, he said, though the timing is a “movable feast.”

Corrigan also said the debt agency is considering selling an index-linked bond for the first time in response to interest from investors. It may also sell a 30-year bond.

“It would certainly tap into a potential new source of funds,” Corrigan said of the index-linked security. “The issue is whether you would get up to the critical mass and be able to produce something that had a reasonable degree of liquidity.”

Ireland said at the start of the year that it plans to raise about 20 billion in debt sales this year. The final figure may be about 21 billion euros, said Corrigan, who said he is very “relaxed” about the total.

“The focus is moving off” Portugal, Ireland, Greece and Spain, he said. “The capital markets will have to find something else to obsess around. Hopefully, by virtue of delivering on our fiscal promises, they’ll leave us alone.”

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