

discredit

Parmalat

Missing billions found

iBoxx and Trac-x

Index providers
bury the hatchet



Treasurers reject new covenant proposal

Setback in bondholder search for Promised Land

Cover story

Treasurers reject new covenant plan

Corporate treasurers have reacted angrily to what they see as excessively tight covenant demands from a group of bondholders.

The proposals put forward by Kevin Moses at Red Sea Asset Management include such requests as not stealing, killing or coveting a colleague's wife.

David Pharoah, head of treasury at Pyramid Borrowing Co, says: "We don't feel it's appropriate to enter a negotiation with bondholders on these proposals." He points out that the request to not worship false idols or take the Lord's name in vain is sufficient to put many borrowers out of business.

Treasurers have warned that if bondholders press ahead with their demands, corporates will be forced to resort to the Babylonian ur market.

DealWatch

A who's who of the buy side received a welcome fillip as a flood of new blockbuster blowout deals made a splash in the credit market. The deals, which sold like hot cakes, came flying off the shelves, bursting through the yield curve and hitting all the relevant investor bases in the process.

"A strong credit story enabled the issuer to hit all the right buttons as the bonds established a new benchmark," says one syndicate banker. "These bonds provide diversification at the sweet spot in the curve and investors were only too eager to lap them up."

Meanwhile high-yield Polish firm **Krappola**, which makes cleaning fluid for the components of the factory equipment that manufactures heavy-duty agricultural products, has issued a €500m bond. The structure is notable for its total lack of any covenants whatsoever, as well as the fact that it is domiciled in a Calcutta PO box. "This is disgraceful," complained one investor, adding: "Put me down for €100m."

News

Found! Parmalat's billions

A Parmalat office cleaner has found the company's missing €10 billion down the back of a sofa at the company's headquarters in Parma, Italy. According to the cleaner, she was checking the sofa in Parmalat's reception for spare change when she found a bag containing €10 billion.

The disappearance of the money, originally believed to be lost in a bank account in the Cayman Islands, forced the Italian company to write off the money as a loss and default on its €14 billion worth of bonds.

After an internal investigation failed to track the money down, it was decided that a credible story needed to be fabricated. According to a company spokesperson: "When we lost all this money, we decided that a suspicious offshore vehicle, with a contrived name like 'black hole', was a



The offending sofa (left), and how Credit covered the story in February

much more credible explanation for what had happened."

A Parmalat spokesperson has denied reports that the cleaner was also CEO of four Parmalat subsidiaries. A spokesperson for Parmalat's bondholders says: "Oh well, that's alright then. Easy mistake to make."

The rating agencies reaffirmed the dairy company's investment-grade rating.

Bond issue pays for Xmas party

Bondholders of US internet start-up SpamX were enraged to learn that the entire proceeds of last year's \$100 million high-yield bond offering had been spent on the firm's 2003 Christmas party.



SpamX's quarterly accounts reveal that \$98m was spent treating equity sponsors to

champagne, fine wines, canapés and Ferrero Rocher. Entertainments included cabaret acts, fire-breathers, an oxygen bar, life-size table football, and dodgems. A further \$2m was spent paying for equity sponsors' taxis home.

"We bought those bonds under assurances that SpamX was committed to cutting debt," says one irate bondholder. "I don't see how having former US president Bill Clinton as the after-dinner speaker for your Xmas party fits in with that."

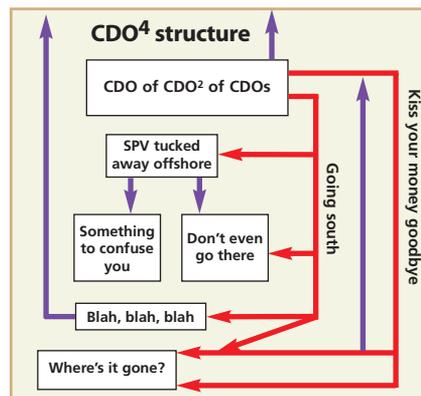
CDO⁴ launch mystifies market

ThirdBank has today launched what it claims is "the most ridiculously complex and impenetrable credit derivative known to man".

The CDO⁴ takes traditional CDO-squared technology and logarithmically doubles it using innovative "extra-dimensional tranching", effectively creating credit risk to the power of four. Head of structured credit at ThirdBank, Abe Smith, says: "Investors are now able to select the juiciest chunks from a four-dimensional credit risk matrix to extract value."

ThirdBank CEO Walter Fruff hailed the new product. "While I cannot even begin to understand the nature of our

structured credit team's achievement, rest assured they will all be awarded gargantuan bonuses," he says.



News

Credit market relocates to Camden market

Europe's credit market, which has lacked a home since its inception in 1999, has announced its intention to move to Camden market in North London. A spokesperson for the credit market, Ivor Bond, says: "We needed a location and the bohemian atmosphere of Camden market suited our transient spirit perfectly." Smithfields market near trendy Clerkenwell was also considered but a bank is planning on tearing it down to build a new head office.

Camden market stallholders are understood to be furious with the decision. "I don't want this junk next to my stall," says Simon Warburg, who sells pirate videos in Camden market. "If you buy something from me and it goes kaput, I'll take it back, no questions asked – all you need is a receipt," says Warburg. "But, you buy something from these credit market traders and it goes bad that's it, you've had it. *Caveat emptor* is all they keep saying."

Profile: William Wellington-Boote

As head of credit at Cityfirm, William Wellington-Boote is no stranger to the cut and thrust of the credit markets. "It's a man's world. You've got to fight your corner, stand up and be counted. No room for namby-pambies in our game."

Wellington-Boote attributes his success in the world of credit to an early career in the army. After passing out from Sandhurst, he saw active service in hotspots such as Tring and Newport-Pagnell. "Let me tell you, Buckinghamshire is a rough place, especially at closing time."

Wellington-Boote received an honourable discharge after accidentally shooting himself in the foot ("Forgot to put the bloody safety on!"), and joined Citifirm soon after.

He explains: "I was lunching at the Army & Navy club when I ran into an old

school chum. We boarded together at Marlborough. He told me Cityfirm were looking for someone of my talents, and he helped slide me in through the back door." William Wellington-Boote hasn't looked back since.

So what does the future hold for a man who boasts his middle name is 'credit'? "Never look beyond today," he says. "Anyway, did I tell you, this is a man's world..."

In brief

Age	38
Status	Married, with mistress
Children	Two
Car	Range Rover
Motto	Don't shoot till you see the whites of their eyes

Axe of the month

Clifton Barnes
GlobalBank



We have a wealth of one of the most yieldy assets in the market, Landesbank paper. The abolition of grandfathering will boost returns, so hurry while stocks last – and they will.

Elliot Blick
Penney, Smart



US wireless firm Disconnected is back in the market with a Polish zloty benchmark issue, to finance a fibreoptic network, Fubar, in Kazakhstan. Our books are full to bursting.

Tony Minerio
Ballgrow Investments



Italian firm Fronti Mafiosi is a sure flyer. The car giant may have some credit risk, but that will not put off yield-hungry investors. We have not seen their numbers, but who will?

Ilana Proshinecki
SOB



Pensioner insurer Gettold is a market stalwart. Prices have been volatile but the firm is an old favourite and insurance is an ageless business. Buy the bonds before the market goes stale.

iBoxx and Trac-x call truce, smoke peace pipe

In a shock result, the second round of the 'Brawl on the Wall' (Wall Street) has ended in an amicable friendship between the two fighting tradable credit indices, i 'the boxer' Boxx and 'tradable' Trac-x. The original 'Brawl on the Wall' (London Wall), saw the two tradable indices reach a gruesome stalemate.

The decider (which was moved to New York after the two indices could not agree on whether the payment should include cash or just be on credit) appears to have ended with both indices making up and deciding to leave the ring as one giant index.

It is not clear whether the two will return to London as one fighting index or if a third Brawl on the Wall (Wallside in EC2) will be necessary.

Charting the market

The sky's the limit



Source: Pilar Folos