

US Corp Bonds-Bonds sag on jobless data, few buyers

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By Jonathan Stempel

NEW YORK, Aug 29 (Reuters) - U.S. corporate bonds underperformed surging Treasuries on Thursday after a weaker-than-expected report on U.S. initial jobless claims suggested that U.S. economic growth was tepid.

Several investors and traders also attributed the lagging to a lack of buyers ahead of a holiday weekend.

"People are paying a heavy premium in this market for security and liquidity," said Mark MacQueen, who helps invest \$2.2 billion for Sage Advisory Services Ltd. in Austin, Texas. "With the Treasury market rally, spreads have not tightened because there isn't much activity."

Corporate bonds lagged Treasuries by about 0.02 percentage point and junk bond trading was close to nil, traders said.

Auto and telecommunications bonds weakened after the Labor Department said U.S. initial jobless claims rose to 403,000 for the week ending August 24 from a revised 395,000 in the prior week. Economists expected 387,000 new claims. They view 400,000 as a sign of a soft labor market.

The yield on the new 7.375 percent 10-year notes of Verizon Communications Inc.'s VZ.N finance arm rose about 0.1 percentage point to 3.35 percentage points more than Treasuries, traders said.

In late trading, 10-year Treasuries rose 20/32, as their yields fell to 4.136 percent.

The primary market was silent, and is expected to remain so on Friday.

Two troubled telecoms made news with restructuring plans for a combined \$8.2 billion of debt.

San Diego wireless service company Leap Wireless International Inc. LWIN.O said it wants to restructure its \$2 billion debt load, may violate credit agreements, and faces a possible Nasdaq delisting. Its shares fell 42 percent, closing at 43 cents.

British telecom equipment maker Marconi Plc MONLL agreed formally to a debt-for-equity swap. Creditors will control 99.5 percent of the business and write off an equivalent \$6.2 billion of debt.

Marconi bonds fell five cents on the dollar to 14 cents on concern the company might be unable to service even the \$460 million of debt that will remain on its balance sheet.

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