

US Corp Bonds-Bonds gain, GE down on \$50 bln shelf

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NEW YORK, Sept 26 (Reuters) - U.S. corporate bonds outperformed Treasuries for a second straight day as rising stocks and better-than-expected economic data boosted investor appetite for credit risk.

"The Dow (Jones Industrial Average) has had two good days, and Treasuries have fallen a bit, which helped swaps, which is good for corporate bonds," said one investment-grade trader.

Corporate bonds outperformed Treasuries by about three to four basis points, while junk bond prices rose about half a point, traders said. The Dow and Standard & Poor's 500 stock index each rose nearly 2 percent, while the Nasdaq edged down less than a point.

"As goes the S&P and the Dow, so goes the bond market," said Robert Smith, who oversees \$2.3 billion at Sage Advisory Services Ltd. in Austin, Texas. "The Treasury market in our opinion is priced for Armageddon." He is buying some corporate bonds on the secondary trading, but is largely avoiding new issues, fearing their spreads may quickly widen.

General Electric Capital Corp.'s bonds reversed morning gains and ended wider on Thursday after Chief Financial Officer Keith Sherin said on a conference call that General Electric Co. GE.N plans next month to file with U.S. securities regulators to sell up to \$50 billion of securities.

"We anticipate that that will be more than enough for what we need to get all the way through the first half of 2003," Sherin said. He estimated \$60 billion of financing for 2003, half to refinance maturing long-term debt.

GE Capital's 6 percent notes maturing in 2012 yield 5.12 percent, or 1.35 percentage points more than Treasuries, up from 1.29 percentage points on Wednesday, traders said. The spread had been 1.25 percentage points in the morning.

Its 6.75 percent bonds maturing in 2032 yield 6.17 percent or 1.44 percentage points more than Treasuries, up from 1.36 percentage points more than Treasuries.

Stocks rose and Treasuries fell after the Commerce Department said orders for durable goods fell 0.6 percent in July, better than the 2.6 percent drop that economists forecast, and the Labor Department said first-time jobless claims fell 24,000 in the latest week to 406,000. Economists had expected a drop to 421,000 from the original 424,000.

Ten-year Treasuries closed down 6/32, as their yields rose to 3.774 percent.

PRIMARY MARKET PERKS UP

The primary market perked up on Thursday.

American General Finance, part of New York insurance giant American International Group Inc. AIG.N, sold \$150 million of two-year floating-rate notes, and \$600 million of 10-year notes yielding 1.72 percentage points more than Treasuries.

Archer Daniels Midland Co. ADM.N, the agribusiness giant, sold \$500 million of 30-year bonds yielding 1.22 percentage points more than Treasuries.

Nucor Corp. NUE.N, a steelmaker, sold \$350 million of 10-year notes yielding 1.125 percentage points more than Treasuries.

And Verizon Florida, part of local phone company Verizon Communications Inc. [VZ.N](#) , sold \$350 million of 10.25-year notes yielding 2.35 percentage points more than Treasuries.

Late Thursday, Resource America Inc. [REXIO](#) , an asset management company engaged in natural gas exploration, commercial real estate financing and equipment leasing, shelved a \$125 million junk-rated eight-year note sale, saying that recent market volatility would have forced it to pay out too much interest.

To see other recent and upcoming sales, please click here [[nNEUBD4](#)].

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